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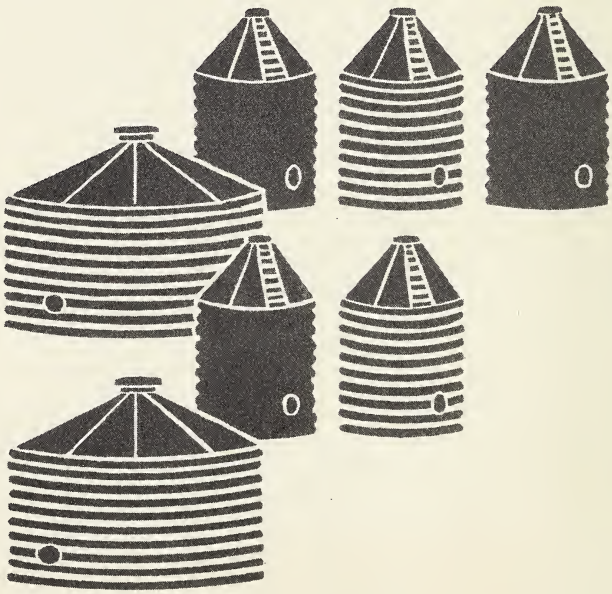

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The Riddle of American Agriculture

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To Carolyn

Preface

This book tries to give perspective to the main problem of American agriculture: the food surplus and what we may do about it. It is written for the responsible citizen, in words he can understand. It pulls no punches and says what I think an economist needs to say. Almost no economic jargon is used. The text is self-contained. A few tables are added for those who like them.

Students at various levels, special and general, may find the book convenient for review. Teachers may find it a useful basis for a beginning course or a series of seminars on agricultural policy.

The need to write this book arose partly from questions posed in other studies, and partly from looking at views expressed in the farm and nonfarm camps. Few recent studies aim at developing a generally acceptable farm program in the United States. Studies by *one* author are fewer still. Since joint authorship so often leads to weak compromise, I hope the viewpoint of a single author may have its own merits. Yet, the editorial "we" used in the text reflects better the competent criticism the manuscript has had. I wish to thank all those who have helped. My debt to them is great. Special thanks go to my colleagues, L. L. Boger, W. M. Crosswhite, Phillips Foster, Dale E. Hathaway, William Heneberry, Glenn L. Johnson, R. A. Loomis, Arthur Mauch and L. W. Witt. The Bureau of the Census permitted

use of four maps. Errors and obscurities are my sole responsibility.

For readers who may wish to challenge or extend some of the statements, a short reading list is given. For brevity, the United States of America is mostly referred to as "America."

ALAN R. BIRD

East Lansing, Michigan
September, 1961

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Chapter 1

The Plan and Aim of the Book

"How can we reduce the food surplus, increase farmers' incomes and still cut farm program costs?" That is the riddle of American agriculture, the riddle we wish to explore. We do not give the answer. But we do suggest some things to be considered before any answer is given.

On any public issue, the economist's viewpoint is, of course, only one of many. On the issue of the food surplus, his viewpoint is urgently sought. Even among agricultural economists, however, views on the problem differ, and these several views are almost useless unless the layman knows them.

The layman needs supporting reasons for the views he seeks to consider. Our role is to interpret. We have tried to arrange the interpretation to help the reader focus more sharply on the many facets of the food surplus problem.

You may not be an economist, but you may have your own ideas on how the farm program should be handled. We seek to help you spell out these ideas and to look at other ideas held no less firmly by other people.

American farmers have worked themselves out of their markets. They have taken advantage of new technologies

and buoyant food prices. The result is more wheat, corn, cotton and other farm goods than they can sell and give away. The balance of grain and cotton, in particular, is bought and stored by the Federal Government. Helped by tax revenue, the Government has been guaranteeing prices of cotton, wheat and other so-called "basic commodities."

You might say: "Fine. The farmer has to contend with the weather. And he typically lacks monopoly powers over prices. Why shouldn't he be able to expect fair prices for his products?"

Most people wouldn't argue with this viewpoint when the cost of the farm program is small. Even then, umbrella makers, motel owners, retail store managers and many others might think their profits are influenced just as the farmers' by the weather and market vagaries. But the amount of food the Government has to store is getting bigger and bigger, and may well get bigger yet as American farmers

TABLE 1. Carryover of Grains and Cotton, 1958-61,[1] and Grain Surplus (Best Estimates)

Item	1958	1959	1960	1961
	Million short tons			
(1) Carryover of all grains[2] made up of	85.5	106.6	114.1	?
(a) Wheat	26.4	38.9	39.4	43.7
(b) 4 feed grains	59.1	67.7	74.7	?
(2) Less stocks needed for emergencies[3]	50.0	50.0	50.0	50.0
(3) Total grain surplus [Total (1) less (2)]	35.5	56.6	64.1	?
(4) Cotton carryover year beginning August 1	Million bales			
	8.7	8.9	7.6	7.0

[1] Source: *The Wheat Situation,* April 1961, p. 6, *The Feed Situation,* May 1961, p. 8, *The Cotton Situation,* November 1960, p. 25 and March 1961, p. 43, all periodical reports of the U.S. Department of Agriculture, Washington, D. C.

[2] Inventory date is July 1 for wheat, oats and barley; October 1 for corn and grain sorghums; August 1 for cotton.

[3] Based on: *Economic Report of the President,* Washington, D. C., January 1960, p. 101.

modernize. Of course, the cost of buying and storing this food is getting bigger, too. It now runs into billions of dollars and makes the word "surplus" into political dynamite.

The Government has great stocks of food that it can't sell and can't even give away. Table 1 shows some recent carryover estimates. We've all read something about men making fortunes from storing this grain. Why must we store it and pay good hard dollars to do so when there are millions suffering from starvation in India and Pakistan and other "underdeveloped" countries? Then, too, must the American farmer be penalized by lower food prices, because he grows more?

We shall look at suggested ways of ridding us of surplus food, one after another. We shall try to line up the likely advantages of each way and some limitations. Then we shall combine the more promising ways to show what needs to be done before the farm program can be improved.

Chapter 2

We Can't Eat the Food Surplus

"Charity begins at home." Well-meaning people might think that just putting this idea to work would best rid us of the surplus food.

One recent claim is that 17 million Americans go to bed hungry every night. Of course, we all have our own ideas on what we'd call a good meal, and we may not agree that 17 million Americans need better food and more of it. Even so, recent findings of economists are that Americans would still have a very big food surplus after everyone in the country had been fed as well as he would wish. In fact, these economists think we could eat our way out of only one-third or one-quarter of the food surplus.

How did the economists get this figure? They looked at three possible ways of using extra food.

First, it's easy enough to see that, when you get a pay raise, you tend to spend more money. But most people don't spend all their pay raises on food. Each time a man gets a raise, he usually spends less and less of this extra money on food. So, if you want Americans to buy more food, you'll sell more for each tax dollar by raising the lower incomes

than by raising incomes of boards of directors and T. V. stars. Raising the incomes of poorer Americans would encourage them to eat more food and so reduce the food surplus. As these people would tend to eat better quality food, the food surplus would be smaller still. They'd eat more steak and less cereals and waffles. And it takes more farmers and more land and equipment to provide the consumer with a pound of steak than with a pound of cereal.

Second, instead of trying to increase incomes of underpaid people (and surely we'd all like to see this, if it didn't mean higher taxes) we could try to use more surplus food by lowering retail food prices. But economists claim that not much extra food would be sold this way. A family might spend even less on food than they did before and more on movies, T. V. and other things they could enjoy. This swapping would occur because, with lower food prices, they could get more steak while spending less on food. As one economist has put it, more spending would now be due to the "cost of high living," than to the high cost of living.

A third way of reducing the food surplus is to see that everyone has enough food to keep him healthy. Needless to say, we give this standard a more liberal interpretation than a prison dietitian might do. This scheme would banish diseases like rickets. (Of course, nutrition experts and medical experts are likely to keep finding new diseases due to bad diets.) Such essential diets were estimated for three cost levels. Yet, with the lower two cost levels, less food would be eaten than now. And with the liberal cost diet, the extra food consumed would be negligible (see Table 2). Each diet included what we need of proteins, minerals, vitamins, etc. But some diets had more variety than others, for example, a wider choice of meat. The economists also chose diets that would not make people too fat. (Getting too fat is now a bigger danger than not getting enough vitamins. Fat people are alleged to die younger.)

TABLE 2. Net Percent Change in Total U.S. Food Consumption When All Diets Are Corrected for Deficiencies[1]

(Three cost levels of diet are given)

Food Item	Change in Food Consumption					
	Low Cost Diet		Moderate Cost Diet		Liberal Cost Diet	
All food	down	22%	down	6%	up	2%
Milk, milk products	up	2	up	4	up	11
Meat, poultry, fish	down	43	down	1	up	12
Eggs	down	18	down	5	down	2
Dry beans and peas, nuts	up	13	down	34	down	42
Grain products		0	down	10	down	16
Potatoes	up	21	up	6	down	5
Citrus fruits, tomatoes	down	17	up	3	up	20
Dark green and deep yellow vegetables	up	7	up	13	up	14
Other fruits, vegetables	down	15	down	1	up	10
Fats and oils	down	49	down	33	down	31
Sugars and sweets	down	29	down	34	down	19

[1]Source: Wetmore *et al.*, p. 83; *see* references.

Put briefly, there are three ways of getting more food from the American farmer to the American household:

(1) Give everyone a big enough pay check so that he can buy all the food he wants.

(2) Drop the retail prices of food enough for everyone to buy all the food he wants.

(3) Make sure everyone has enough of the right kinds of food so that he keeps healthy (or rather so that, if he gets sick, it won't be because of the food.)

You may think that some of these ideas sound noble enough, but that they come from an ivory tower. It would be fine if we all had bigger pay checks—but we don't, and that's life. Anyway, even if some really poor people were

given Government grants, how do we know they would spend this money on food? Wouldn't these people use most of the money to buy a new T. V. set, or make a down-payment on a new car? So they might. But at least they might spend *some* extra money on food. And that's more than could be said for the highest income groups.

People who favor raising incomes of the low-income group could say: "If these poor people would spend only *part* of their new income on food, obviously this means that their incomes should be increased so much *more*." We could all probably arrange to spend more on food if we had a Santa Claus boosting our pay checks.

The only question is, "Who'll be Santa Claus?" We can't *all* be better off by taking in each other's washing. Someone must be paying for these advances to low-income people. One likely candidate is the corporation with a large pay roll. Even if taxing corporations for this purpose seems realistic, we don't know whether this extra load would stop some companies from expanding and so slow up the rate of economic growth in America. At least, boosting consumers' pay checks would allow farmers to increase their total gross receipts (if the retailers and processors passed on some of the receipts from extra food sales.)

What about dropping the retail prices of food enough to sell the surplus? It's not clear that farmers would actually get any more money, or even as much as they do now. The fact is that food sales don't behave like auto sales or the sales of automatic dishwashers.

If the price of dishwashers were cut in half, the chances are that the number of these machines sold would more than double. Sales might even increase three or four-fold and the gross takings of dealers would be greatly increased too. If food prices were cut in half, however, do you think you'd eat more than twice as much food? If you had lived in Ancient Rome, maybe you would have. In those days, there

weren't any fancy new model cars to buy. The Romans loved eating. They loved it so much that they used to take an emetic when they couldn't eat any more. Then they would start eating again. We can scarcely imagine this type of "time out" becoming an accepted American custom.

We have to face the prospect that cutting all food prices in half could actually decrease the gross takings of supermarkets. The supermarkets would then be running to stand still (if they aren't already doing just that). They would be handling more food and getting less for it. The farmers, in turn, would probably get less for what they produce. They would probably have lower average incomes as they tried to produce more food (and lower incomes still if they didn't). Table 3 gives some idea of how food sales change with falling food prices.

TABLE 3. Percent Extra Food Sales That Could Be Made if All Retail Food Prices Were Cut by One-Fifth[1]

Food Item	Extra Food Sales
All foods	5%
Meat	7
Dairy products	4
Eggs	4
Fruits	10
Vegetables	4
Other	0

[1] Source: Adapted from Wetmore *et al.*, p. 71; *see* references.

Now what about the third way of using up more food in America? You remember the economists suggested we could use more food by seeing that everyone had enough of the right kinds to stay free of deficiency diseases. One way of

trying to feed people better would be to issue coupons to be redeemed at supermarkets. Of course, this scheme would be costly to operate. But so would most other schemes aimed at increasing the amount of needed food Americans would eat. We can get some idea of the likely effects of this program. The Food Stamp Plan (which involves such a use of coupons) has actually been tried and is now being tried again in Detroit and a few other places. Thus far it has not worked smoothly at all. For example, some low-income families resented being classed with relief families for the issue of coupons. Families receiving stamps managed to sell some of them to help buy non-food goods. This danger of leakage is easy enough to see. Promoters of new foods and soaps find it hard enough now to stop people from redeeming bonus coupons for cash.

To sum up, we cannot reasonably expect to eat our way out of the food surplus by using more food at home. Helping Americans to eat more may get rid of *part* of the surplus, but that part is not likely to be more than one-third. When we asked *how* this extra food can be used, however, we saw that the chances of getting rid of even one-third of the surplus are fairly slim. If storage costs for the surplus food keep increasing, it may become cheaper to burn or bury the food instead of storing it. This way of "using" the food at home hardly warrants further discussion. Many people have already risen in disapproval of earlier schemes that involved killing little pigs. We would expect similar protests now as people point to the starving millions in South-East Asia and other underdeveloped areas.

Our domestic population increases will not really help us eat down the food surplus. By the time these extra stomachs are big enough, the American farmer will probably be even further ahead of the consumers, and the surplus will be bigger still, unless something else happens in the meantime. About the only hope for a significant change in

these prospects would be the discovery of other important uses for wheat and cotton, in particular. At the moment, cotton is still battling it out with synthetics. And wheat just sits and stores.

You may feel we need to look into possible new uses for food and fiber. What about whisky and beer, power alcohol, clothing and even composition boards and other building materials, to name a few possibilities? Let's take a longer look in the next chapter.

Chapter 3

What About New Uses for American Farm Products?

Suppose we can't eat the American food and fiber surplus. We use farm products other ways, too. Couldn't we expand these other markets enough to use the surplus food? Let's look at the possibilities.

Grain, particularly corn and wheat, is one of the main surplus items. Apart from food for humans and livestock, there are many other uses for grain. During World War II, for example, plants were established to make ethyl alcohol from corn. These plants could process 100 million bushels of grain per year and produce 250 million gallons of 95 percent ethyl alcohol for motor fuel. But all the ethyl alcohol we need can be produced much more cheaply in other ways, and there are even cheaper ways being developed by industrial chemists. Even now, corn would have to sell for some 30 to 50 cents per bushel (compared with an average of about $1.10 per bushel received by farmers recently) before it would pay to produce alcohol from corn. When the new Synthol Process for producing ethyl alcohol from carbon monoxide and hydrogen is developed, the chances are that it would not pay to make power alcohol from corn even if farmers gave their corn away.

Of course, ethyl alcohol isn't the only nonfood use for grain. Grain is largely composed of starch, and there is an almost endless list of industrial uses for starch. Some examples are:

Starch derivatives to use in ore-flotation processes;

Starch for pelletizing iron ore;

Starch for sewage and water treatment;

Starch as a binding agent in building construction;

Starch to be used in plastics and textiles.

People have even suggested special one-use throwaway garments made of starch and cotton. That would help rid us of the cotton surplus as well.

Why, then, do we have a grain surplus? The same old standard answer can be given in every case. Although some industrial uses would absorb large volumes of grain, cheap enough processes aren't available yet. Whatever raw materials the chemical industry needs, there usually appears to be a cheaper source than farm products. And since even better processes continue to be developed in industry, it doesn't seem sensible to count on using the grain surpluses in other industries for some time to come.

When we search for ways of using more cotton, the prospects look even less promising. Suppose the population increases a great deal and the average personal income also goes up. There is still no guarantee that more cotton will be used for clothing. Synthetics have been waging a fierce war against cotton and will probably continue to do so. Rayon, dacron, orlon and the rest of the family look as though they are here to stay. Besides, wool processors have wooed away some cotton fans with shrink-proof lightweight fabrics for year around wear.

Even when we look at how to increase the use of leather (an important by-product of the livestock industry) we find that synthetics are eating big holes in the leather market. Once again, leather will be doing well to hold its

own. There is more than an even chance that the soles of a pair of shoes are made of some synthetic these days.

There are further problems in using more farm products in industry. It's hard (or even impossible) to control the quality of farm products across the country from year to year, whereas the chemical industry likes to have tight control over quality. Moreover, it is hard to find new uses for farm products that use *all* of the product. What do we do with the by-products? Many men in industry would like to know.

There's just one more ray of light. So far, we've been thinking in terms of finding new uses for the *present* farm products. What about the chances of growing something else, for some of the grain and cotton in particular? Could we find new crops that other industries would be glad to use? This possibility has already been given serious thought by many people. One suggestion is that we could plant bamboo on some of the land now in cotton and peanuts. This bamboo would yield four to six times as much cellulose per acre as does the fast-growing southern pine. That's the claim. We can add to that the further claims that this bamboo will mature about twice as fast as southern pine, and that good quality paper can be made from the pulp. There are other promising features. Once the bamboo is established, for example, an annual crop could be cut, and all cutting and handling could allegedly be done by machinery.

If it pays to grow new crops here, you can count on American enterprise to do the job. And private firms are trying out new crops already. A recently reported example is the planting of guar on some 70,000 acres in Texas and Oklahoma. Guar is a plant of the same family as the garden pea. It yields a gum used in papermaking and other industrial processes.

So private enterprise *has* been trying to find new uses

for farm products and new farm products too. And private firms have been getting a great deal of help from the U.S. Government. In 1938, the U.S. Department of Agriculture set up four regional laboratories to "conduct research into and to develop new scientific, chemical and technical uses, and new extended markets and outlets for farm commodities and products and by-products thereof." These laboratories are at New Orleans, Louisiana; Albany, California; Peoria, Illinois; and Wyndmoor, Pennsylvania.

Hundreds of processes have been developed and are used commercially whenever it pays to do so. In spite of all these efforts to find new nonfood uses for farm products, however, we cannot expect these uses to make a significant dent in the food and fiber surplus in the next few years. And we have to face the serious possibility that farmers will exploit existing know-how to add to these surpluses even faster than before.

If surplus American food can't be used up at home, it is natural enough to think of selling it overseas. Let's take a look at this possibility now.

Chapter 4

We Can't Sell the Surplus Overseas—or Even Give It Away

Many people still say, "There's really not a food surplus at all. The only problem for American agriculture is how to get the food we grow to the people who really need it." Yet, there are good reasons why we can't hope to sell all our surplus food to other countries. In fact, it's even hard to give this food away.

Let's look first at the chances of *selling* surplus food overseas. A leading farm organization recently started a Trade Center in Rotterdam (Holland) to sell more American farm products. This Trade Center has apparently helped increase the sales of some American farm products, for example, navy beans and fruit juices.

Why can't we count on getting rid of our surplus food this way? The fact is that these overseas sales are not as easy as they sound. Take fruit juices and prepackaged meals, for example. Hardly any of these processed foods have been sold in Europe before. So it's natural that an American company that gets in the field first can make some sales. But building up a market for a new product costs money. In the meantime, European firms will be more than happy to

have American money paying the cost of building up their markets. When it comes to a real showdown, the European firms, helped by cheaper labor for processing and less transportation costs, may outsell Americans with cheaper fruit juices and ready-mixed pizzas.

Another thing, America isn't the only country with price supports for farmers. There are very few countries that do not subsidize some parts of agriculture. As far as Europe is concerned, Denmark is the leading free trade country. The Danes depend heavily on selling food abroad for their income. They have poor natural resources and relatively little industry. Other countries in Europe are continually worried about how to sell their farm products. Extension of the European common market may cut American food sales still further. (Both sides of the Atlantic may benefit from extra trade in the long run, however.)

What's more, several European countries can probably grow more food in the near future. We're well aware of the revolution in technology the American farmer has gone through in the last few years. Some parts of Europe have farmers every bit as modern as those of America. The big wheat farmers of East Anglia in England and the farmers of the central plains of Sweden are good examples. So are some of the vegetable growers of Holland. But there are still vast areas of Europe where the potential for growing more food is enormous. Think of the plains of Spain where some of the farmers still cultivate their land by harnessing their wives and families to pull a wooden plow; where some "big-time" farmers still have oxen. (Not all Spanish farming is primitive, of course.) In some of the best farming country of France (land that is ideally suited to mechanical cultivation) it's still quite common to see a team of horses harnessed to a plow.

One natural reaction to the fact that European countries are subsidizing agriculture is to say: "Well, the American

farmer can't sell food overseas by using free enterprise methods because foreign governments are helping their farmers fight back. So why shouldn't we tell our Government to go ahead and give as good as they get?" In looking at this question, we need to know how Congress could help American farmers to fight back. If Congress couldn't help in other ways, however, there would be some reason for Government support for agriculture at home. The only question left then would be "what kind of support and how much?"

Congress has two main ways of helping American farmers sell surplus food overseas. Both enable the American farmer to sell more food by lowering the price he charges overseas. The first way is to ask other governments to lower tariffs on American products entering their countries. If a foreign government lowers these special taxes for American goods, then American-made goods should be able to compete with similar goods made in that country. So more American goods would be sold. The U.S. Government is already doing what it can to sell more this way. But cutting tariffs is not easy. About the only way it can be done is for the Government to cut a tariff on foreign goods coming into this country. Just try to cut the American tariff on English bicycles and wait for the howl of American bicycle manufacturers.

Many economists would say that it's good to cut all tariffs. There will then be more world trade and everyone will be better off. To be realistic, however, these cuts are likely to occur only gradually, because each cut usually involves vested interests in both the countries that agree to such a cut. Thus we cannot seriously regard tariff cuts as a promising way of helping the American farmer sell extra food.

The other way of cutting American food prices overseas is simply a two-price plan. Economists also call it dumping.

One example of such a proposal (that was not passed by the Congress) is the McNary-Haugen Plan. The two-price plan is a familiar tool of the monopolist. He may sell the same soap, for example, so that one brand, distinguished only by a different colored wrapper, sells for two cents more than the other. By fooling some of the people some of the time the monopolist manages to increase his gross receipts.

How does dumping help American farmers sell more food? An example would be when the American Government sells wheat to India at a lower price than wheat sells in the home market. Just as in the case of the soap maker, the Federal Government must be able to fool some of the people some of the time to make this scheme work. In Uncle Sam's case, he must keep his different wheat markets separated, and he must keep other countries from shipping their unsold wheat into the United States to receive the support price here.

Now you sometimes hear that selling low-priced wheat to India does not harm other wheat- and rice-exporting countries, and that these sales help India, too. Perhaps you think so. Then just allow other countries to ship their unsold food to America. You'd *really* have a surplus. Even India might ship wheat to us.

Although dumping can enable America to sell more wheat, at least for the present, it may not only lose us friends overseas but also lead to a still bigger surplus problem by encouraging American farmers to produce still more for what they see as a bigger market.

What about giving away our surplus food to needy people in underdeveloped countries? Surely it would be sinful not to help starving people in this way? And wouldn't we make friends abroad and fight Communism, too? Any generous-minded citizen, anyone with a shred of compassion, is likely to be bewildered or outraged if such an obviously good course of action is condemned. He is likely

to say that blocking any such program is no more than obnoxious political dickering. But is it?

Giving away food is just an extreme example of a cut-rate sale. It is dumping or a two-price plan, call it what you will, in an extreme form. It involves all the disadvantages of dumping, and it also costs the taxpayer more. Some taxpayers may still think it's worth the price. They will say, "So what? We annoy the Canadians and Australians and Argentines and other big food exporters by undercutting their markets. But we make lots of friends in India and Pakistan. And we need these people on our side."

Now it's one thing to give away food. And it's quite another thing to get the credit for doing it. You may have read the novel *The Ugly American* by Lederer and Burdick. It doesn't need much imagination to see that, if only a fraction of the incidents depicted in this book were true, it might even harm us to give food away until we can develop a more competent (and more expensive) organization to do the job.

Are overseas food gifts really gifts, anyway? The newspaper tycoon, E. W. Scripps, had some harsh things to say about gifts in his book, *Damned Old Crank.* Never be an heir and never get anything free. That was his advice. The point he was trying to make needs to be made for an underdeveloped country just as much as for an underpaid young man.

Are these food gifts meant to help underdeveloped countries to help themselves to higher income levels? Or are they meant as dole as long as the American food surplus is an uncomfortable domestic issue? If the American farmer could still sell all he produces in the "open market," would there be the same pressure then to give food to underdeveloped countries?

Most people would say that handouts of surplus food may help keep more people of underdeveloped countries

alive but that the handouts hardly give the people a chance to better themselves. We might do better by sending them fertilizer instead of wheat. Even better, we should be building fertilizer plants in India instead of sending fertilizer. And we should help build new dams, roads, schools and other facilities to help the Indians grow their own food.

These views arise from the recognition that agriculture in India (or Pakistan or any other underdeveloped country) can be developed further, and that we need to look at the problems of agriculture in other countries in relation to the national economy of each country. We can't expect to change agriculture elsewhere, any more than here, without upsetting other people. In fact, agriculture is usually the biggest industry in an underdeveloped country. It's no accident that CARE, for example, is giving things like fishing nets and hoes to people in underdeveloped countries. Both moralists and economists could say these gifts make sense.

Maybe we should warn you now (if you didn't already know) that economics has been called the "dismal science." Selling more food overseas (or even giving it away) doesn't look to be a promising way of removing our surplus food. But there may yet be other ways of dealing with the problem. How did this problem ever grow so large in the first place? Shifting gears for all-out production during wartime gave technology the incubator it needed. So let's look next at the effect of wars on food surpluses.

Chapter 5

Surpluses Aren't So Troublesome during a War

You may think this title confirms economics as a dismal science. Yet the title points merely to the increased wartime demand for food which then encourages production of surplus food after the war.

The wartime demand for food outstrips the peacetime demand. In war, stockpiles must be kept for emergencies. America must feed her own people and millions more. Some countries can't plant much cropland. Crops are burned. Food shipments are lost. Warehouses are bombed. Despite rationing, food prices rise. From 1939 to 1941, food prices rose over 30 percent. These price increases (and other measures) encourage farmers to produce more. But supply still trails demand. If it didn't, there would be no need for rationing. After the war, food prices stay up and more machinery and materials are available to farmers. After World War II, farmers bought much new equipment to help feed refugees from the "scorched earth." They kept on producing more food in response to buoyant prices, and they have continued buying the equipment to do it.

Even now, we need a stockpile of food, in case of war or drought. But we can't claim all the food surplus is such a

stockpile. In early 1960, stocks of the main five grains were over double the "estimated size of reserves required to meet the initial needs of defense emergencies and all but the worst weather contingencies. Cotton stocks also are much in excess of a desirable carryover." These standards are given in the 1960 Report of the President (p. 101).

We have to face the facts, then. It is unlikely that we can grow more and more food and yet hope to avoid a surplus by selling more food, using more food, giving it away or even blowing it up. If we really want to get rid of the surplus, we must first slow down the rate of increase in food production in America.

Wartime conditions have made our job more difficult. It was hard enough then to grow more food by saying to American farmers, "We'll buy all you produce, and give you higher prices too." It's by no means easy to reverse this strategy and lower these prices to cut the surplus. Why? After World War II, American farmers bought a lot of equipment that they can go on using for years. They probably couldn't sell it if farm prices fell. Moreover, farmers could say to the Government, "You got us into this mess; now you get us out." After World War I, farmers were convinced that the Government had not faced up to this responsibility. Today, the Government is well aware of its responsibility but not at all clear on how to meet it.

The food surplus is not due to American farmers alone. The same urge to grow more food caused explosions in food production in other countries, too. The United Kingdom is a spectacular example. The farmers in those other countries have also found it hard to adjust to post-war conditions. This makes it even less likely that American farmers can use a two-price plan (discussed in Chapter 4) to dispose of their surplus overseas. For the food surplus to be history and not a handicap, American farmers need to produce less. Let's see in the next chapter what is involved.

Chapter 6

We Need to Grow Less Food

When you hear an economist, you probably expect him to talk about conditions of demand and supply. When anything is bought or sold, this sale takes place only when the prospective buyer and the prospective seller have agreed on the price. Of course, we all know, from personal experience, that the buyer thinks he paid too much and the seller thinks he gave the goods away.

Let's look at the American market for food. Like anything else we buy and sell, food is being exchanged at a certain price. Over a year, some quantity of food is produced by all farmers. At recent prices, including Government supports, this quantity has been greater than the quantity that could be sold (and given away). So we say we have a food surplus and the Government pays to store it.

To get rid of this surplus we have two possibilities. Either we can increase the demand so that the surplus is all bought or we can reduce the supply to match the demand. Very likely, any practical scheme to eliminate the surplus will involve all the remedies we can conjure up. Thus, we need to consider changing the conditions of demand as well as the conditions of supply.

So far, we have looked only at ways of altering conditions of demand. We considered getting Americans to eat more food, using more food and fiber in industry, selling more overseas, and keeping a stockpile of food in case of war, drought and other emergencies. In spite of all these ways of increasing demand, we concluded that the surplus will persist.

The main attack on the surplus problem is yet to be made. We need to cut down production of food. It sounds simple. But, if it were as simple as that, we would have solved the surplus problem long ago. There have been dozens and dozens of bills before Congress aiming at controlling food production. But there are still more objections than there are bills.

Why can't we find a generally acceptable way to produce less food? We could give a pat answer, that it's not the economics of the problem but the politics that is stopping us. If a Senator, say from Kansas or the Dakotas, who has many wheat farmers in his electorate votes for lower wheat prices, he may lose the votes of many of them at the next election. The politics is not necessarily separated from the economics of the problem, however. If the man who can't grow wheat because of price cuts can be given a secure job in the same district, maybe he will vote for the same Senator after all.

The problem of adjusting farm production shows how important it is to understand that it isn't what you do that really counts, it's the way that you do it. Although there is fair agreement on what to do about the food surplus, no one has a generally acceptable way of doing it. To understand why it's so hard to agree on how to cut our food supply, we need to take a closer look at suggested ways of doing it.

Farming is a business just as making cars or selling clothing or running a drugstore is one. In fact, farming is

a more diverse business than most. The farmer buys some of the ingredients or inputs he needs to grow food and he makes up some of the ingredients on his own farm. Any farm needs a wide mixture of inputs to produce food at all. Typically, you will find land, buildings and equipment, and a whole range of machinery. On many farms, you'll also find livestock. Then the farmer needs cash to operate, the same as any other business. And any farm needs a competent manager.

If we change the proportions of these ingredients, we'll change the food produced. In particular, if we want less food altogether, then we need to find some way of taking enough of these ingredients (or inputs or resources) out of agriculture. Why hasn't this been done? Actually it has been done; many resources *have* been taken out of agriculture. The trouble is that farming know-how is increasing at such a rate that the resources that are left in American agriculture can regroup and go on producing a surplus. So we need to reduce the incentive to achieve this sort of regrouping at the same time as we remove resources. One way to discourage this regrouping could be some form of marketing controls, for example.

We may look at this regrouping in another way and say that we aren't taking enough resources out of agriculture. We're going the right way but not far enough.

Whichever way we try to take resources out of agriculture, we're likely to face vested interests. Are these just another bogey, something like monopoly? Remember that we said the prices of farm products rose in wartime and encouraged farmers to grow more food. Put this with the fact that farmers now need to use more expensive machinery and equipment and livestock. Where do we come out?

There's always new farm equipment that a farmer can buy if he wants to. Why doesn't he buy it all and save his legs and his back? The reason is that much of it is too

expensive for him. By "too expensive," we mean that it won't pay for itself and help the farmer make extra profits in a reasonable time. What happened when the prices of farm products went up? Farmers found they could now cover the expected costs of larger machines, bigger silos and new barns. So they bought these items and expanded production.

When food prices drop, the farmer is left holding the bag. He doesn't wear out a tractor in one year. It has to last him several years. So it is with combines and other equipment. If a farmer tries to sell this equipment, he can probably get very little for it. The only people he deals with are likely to be other farmers or junk dealers. The chances are that other farmers have been hit by lower food prices, too, and will buy the equipment only if the first farmer takes a big loss.

But prices of farm products have held up for several years, and limitations on changes in the parity standards for price supports mean that these prices can't change much more from one year to the next. So food production may stay at about the same level.

What does even a firm expectation of falling food prices mean to the middle-aged farmer, the one who has already invested his life in the business? The further he is committed to farming by purchases of land and equipment and local community contacts, the less likely is he to leave. When prices fall, he might try to buy even bigger equipment and turn out still more food. He could accept lower returns for his labor on each unit of food produced and try to make up his income by producing more units of food. As food prices fall still further, this farmer could find himself on what one well-known economist calls the "agricultural treadmill." By producing more and more food he could be running to stand still. Of course, all farmers wouldn't produce more food. Some would go broke instead.

The difficulty is, too, that the farmers who have already made their labor count most by using up-to-date equipment are the ones who stand to lose most when they go broke. And they are probably the very farmers who met the need to grow more food in wartime. Moreover, think of the years of know-how (a lot of it handed down from father to son) that are required to run a dairy farm or manage a purebred herd successfully. Think of how long it takes to improve livestock by breeding. It may be relatively simple to take many of these skilled farmers or many of these quality livestock off the farms. But getting them back again, when they are needed, is quite another question. And suppose the Senator from the wheat country can find city jobs for his farmers in the same district. There's a definite threat that towns will turn into ghost towns if many farms in the district are deserted.

What can we say, then, about getting resources off the farm to help reduce the surplus? We know two things: that it is not easy to pick the right amounts of the right resources, and that we must give a great deal of care to deciding just how these resources should be moved. We need to consider both problems together. In the following chapters we shall look at the main types of resources, one by one, and some methods of moving them out of agriculture. Then we'll come back to the question of moving various types of resources together and see what might be done to reduce the food surplus.

Before doing so, let's tidy up this chapter by having a close look at "parity." This term is used in three ways to describe farming conditions. The *Parity Index* is an index of prices paid by American farmers for over 300 goods and services they use. It gives an idea of how these prices compare with former prices paid by farmers. These prices include interest, taxes and wage rates. A Parity Index of 100 means that prices paid by farmers are the same as they were, on the

average, for the five years 1910-1914. Prices in these five years are an arbitrary standard of comparison—par for the course.

There is also an *Index of Prices Received* by farmers. This index gives a measure of change in the general level of prices of 52 farm products. It could just as well be called "parity index" the same as the index of prices paid. But by custom it isn't.

The *Parity Ratio* shows whether or not the prices of goods farmers sell have increased more than the prices of the goods they buy. It is calculated by dividing the Index of Prices Received by the Parity Index.

Both Parity Index and Parity Ratio are national figures. How do we go from this big picture to the product prices that are considered fair to a particular farmer? By means of the Parity Price.

To calculate the *Parity Price* of, say, corn in a certain market, we need to know the average price of corn in that market for the last ten years. Suppose it was $1.55 per bushel. We also need to know the monthly average of the Index of Prices Received by farmers for the last ten years. Suppose this average for the 120 months was 265. We divide the $1.55 by the 265 which gives us $0.00585 per bushel. We multiply this figure by the Parity Index for the same date. Suppose the Parity Index was 281. Then the Parity Price for corn would be 281 times $0.00585 or $1.64 per bushel. Stated briefly, the Parity Price of corn at a given date would be calculated thus:

$$\frac{\text{Average price of corn for last 10 years}}{\text{Average Index of Prices Received last 10 years}} \times \text{Parity Index}$$

In our example, the figures were:

$$\frac{\$1.55}{265} \times 281 = \$1.64 \text{ per bushel.}$$

Parity is such a widely-used term today that we need to understand it. But we must also remember that manipulation of parity prices is not a cure-all for the surplus problem. The various measures of parity have some value as symptoms of agriculture's ills. But they can be dangerously misleading even in this role. And a change in parity as a solution to the surplus problem is a ludicrous suggestion. Why?

In deciding whether farmers are better off now than at some special base period, part of what we need to know is whether farmers' incomes are bigger now. None of the parity measures tells us this. Worse than that, they probably distort the extent of the difference between farm and nonfarm incomes.

As any businessman knows, if you can produce more goods at a lower cost per unit and sell many more units, you can increase your income even if you receive a lower price. Many farmers have been taking advantage of better technology to do just that. Furthermore, just as businessmen have learned to concentrate on the jobs they can do best and cut out unprofitable lines, progressive farmers have specialized too. If they are no longer producing the same types of goods, what is the meaning of either a change in the average prices of the original goods or the original means of production?

So long as the weaknesses of the parity measures are recognized, it may be helpful to look at them in conjunction with other measures. One obvious other measure is a direct estimate of income. Even suggesting this is likely to draw a smile. Has anyone ever devised a foolproof measure of income?

We shall return to some of these problems later. For now, let's see what sort of farm program we can rough out.

Chapter 7

What About Getting More Farmers off Their Farms?

"The trouble with American agriculture is that there are too many farmers." Some people still say this. They say that all we need to do is encourage still more farmers to leave agriculture, and the food surplus will disappear. In addition, agriculture's income problems would be solved, too, since fewer farmers would share the total receipts of agriculture.

Positive suggestions have been made to move more farmers out of agriculture. A bold example is Chicago economist T. W. Schultz's suggestion of "Homesteads in Reverse." Professor Schultz suggests that farmers who find it hard to get a job elsewhere should be given a government grant of, say, 3000 dollars to tide them over the adjustment period. He suggests that they learn another skill for a job in town. Similar retraining programs have recently been advocated for victims of automation in other industries.

This suggestion can lead to many arguments. Who would be eligible for these government hand-outs and who would not? Aren't there many other businessmen who could claim their businesses had been badly hit by some government regulations? Could they all apply for similar grants? Is 3000

dollars enough to train anyone for a new job? If the grant were increased enough to enable effective training, would the cost be prohibitive? You could go on asking questions.

We can, however, agree with the spirit of Schultz's suggestion. If men need to leave agriculture, we would much rather see them led out than pushed out. If this measure will lead enough men out of farming to eliminate the food surplus and raise the incomes of remaining farmers, we should take it seriously—even more so if we can't think of another way of leading more farmers off their farms.

Most economists agree that we need to get more farmers out of agriculture. (In the years ahead, this transfer of farmers will help us to increase the national income.) On the other hand, it needs to be stressed that we're not likely to get rid of the food surplus in, say, the next ten years by putting all our efforts into shifting men out of farming. We need to regard this measure as just part of a program to cut the food surplus.

What backing do we have for this prediction? First, the recent transfer of people from American farms has been truly phenomenal. In the last thirteen years, the amount of labor used in agriculture has dropped by 25 percent. Yet the food surplus is still with us. Some economists think we could move 2 million farmers out of agriculture and still have surplus food. Can you imagine the chaos that could result from trying to shift these men into other industries only to find that we still had a food surplus? If you're working in a city job, how secure would you be if you suddenly faced all these extra competitors? Do you think your rent would stay the same if dozens more families wanted to live in your neighborhood?

Should these farmers keep on farming, then? Must we say that there aren't enough jobs to go around and that we should leave all farmers on their farms because of this? Any economist would laugh at that statement, and rightly so.

Our steadily climbing income is due largely to our ability to use all available labor to produce more and still more goods. Just consider this question. Do you have all the goods you'd like to have to enjoy life to the full? If you're a typical American, the chances are you'll say, "no." So you really should be happy to know that more people are coming forward to produce the new goods you need. In brief, it's just plain nonsense to claim there's only so much work to be done. But it's not nonsense to realize that we need to learn to walk before we start running.

We conclude, then, that it's good to encourage men to leave farming. In fact, this movement fits in with our attempts to reduce the surplus. But getting men to leave agriculture is not, of itself, a very promising way of eliminating the food surplus in the next ten years. In fact, if this migration of labor from farming were pushed too fast, it could raise a series of new problems and bring hardship on both farmers and workers in nearby towns.

Some readers might have felt all along that we were stupid or sinful for even suggesting that more people should leave farming. These readers would claim that the farmer is the backbone of democracy. They would say that farm life, like the Marines, makes men; that it fosters independence of thought and action and produces men with a strong moral fiber. We do not deny that rural life has much to offer, and we think that people who can get the character-building benefits (and health benefits) of rural life are lucky. But our question—whether more farmers should leave American farms—is one that needs to be asked even if country life is character-building. For the nation, these benefits need to be balanced against the cost incurred. To get this cost, we need to know of other possible uses for the same money in character-building, such uses as better education for all low-income families (including farmers), or slum clearance, for example.

A hard-headed businessman might think that claims that subsidies to farmers are good because they build character are nothing but misguided propaganda. "What nonsense to say that anyone who gets government hand-outs has more independence than I have," could be his retort. Maybe this man is selling bicycles at a tidy profit because this same government helps him fight the competition from English bicycles. Maybe he owns an oil well. He'd be in a poor spot to argue against price supports for farmers. We're not trying to make a point for or against subsidies. We're merely trying to suggest that very little in this world is either all white or all black. There are many, many reasons for giving subsidies, and some will always be given.

In the case of farmers, the very size of the reorganization job needed to get rid of the surplus should be warning enough to anyone that it's not sensible to try cutting out all price supports overnight. The possible general chaos from a large and rapid change in the price support program also underlines the fact that some of the cost of farm programs that (for accounting purposes) is charged against agriculture should really be charged against the whole of society. In our complex society, no man can live alone and no industry can function alone either. A man needs to be very guarded about how independent he claims he is.

Why refer to the complexity of relations between agriculture and the rest of society? Are we trying to make out that only the expert knows what to do? Should experts rather than Congress be decisive? We're trying to say nothing of the kind but are trying to spell out some problems so that you will question more of the wild statements for and against agriculture.

Let's take an example. On April 26, 1960, the *Farm Journal* splashed a full-page ad in the *Wall Street Journal* (p. 13) to show how farmers' incomes compared with other incomes. The big type at the top read like this:

In 1959

Average U.S. Family Income:	$6,470
Average U.S. FARM Family Income:	$9,978

If you lived in the city and read these figures, what would your reaction be? You've heard for a long time about government hand-outs to agriculture and now you see the cold hard "facts." Your suspicions that farmers are parasites are confirmed—all the more so because a little note at the bottom of the page says: "All information on this page was compiled by *Farm Journal* from USDA and Census reports."

Now remember that farming is a business. It so happens that the figure of $9,978 that the *Farm Journal* gave as the average U.S. farm family income is the *gross* income. If you really want to compare farm family income with the pay of other families, the figure to use for 1959 (according to "The Farm Income Situation," USDA, February 1960) is $2,547 per farm. That is quite a different story.

Coming back to the topic of this chapter, what are the main points to be considered in moving people off the farms? We can't expect that encouraging farmers to shift to other jobs will be enough to rid us of the food surplus in the next five or ten years. But we can expect that moving people off the farms will be enough to get rid of this surplus if enough other resources (land and machinery, for example) are also moved out of farming.

We can expect that moving farmers out of agriculture will help cut the cost of the food surplus in tax dollars. We shouldn't merely think of the smaller tax bill, however. The men who quit farming to work elsewhere are adding to the national income. In farming, they were producing food nobody wants. In their new jobs, they are helping to produce extra goods or provide extra services that many people

still want. We can expect that everyone will be better off because more farmers have taken other jobs. And everyone will be better off still if these farmers switch to new jobs *gradually*. Otherwise, the taxes needed to help farmers shift may be greater than the cost of a farm price support program.

American agriculture has already made prodigious adjustments. There has been almost a 30 percent drop in the farm labor force in the last fifteen years. (See Table 4.)

TABLE 4. Farm Labor Force, 1930-1960[1]

Year	Family Workers	Hired Workers	All Workers
1930	9,307,000	3,190,000	12,497,000
1935	9,855,000	2,878,000	12,733,000
1940	8,300,000	2,679,000	10,979,000
1945	7,881,000	2,119,000	10,000,000
1950	7,597,000	2,329,000	9,926,000
1955	6,347,000	2,017,000	8,364,000
1956	5,899,000	1,921,000	7,820,000
1957	5,682,000	1,895,000	7,577,000
1958	5,570,000	1,955,000	7,525,000
1959	5,459,000	1,925,000	7,384,000
1960	5,249,000	1,869,000	7,118,000

[1] Source: *Economic Report of the President*, January 1961, U.S. Government Printing Office, Washington, D. C., p. 206.

What can be done to change the rate at which men quit farming? There are two main groups of people who move out of agriculture: the very young and the very old. Once a man is established in farming and has a family to provide for, he is much harder to shift. We should accordingly think of two types of measures: First, short-term measures to help the movement of the very young and the very old; second, long-term measures to step up the mobility of all farmers.

Our educational system is now geared to the need to train young people for nonfarm jobs. Even in a typical land-grant college (the college stressing farm facts most) nonfarm courses abound. The agricultural colleges are training young people for the farming business as well as for industries that service agriculture. The starting of agri-business courses is a big step toward getting more farm boys off the farm.

Meanwhile, the middle-aged farmers of the future won't be tied to farming as much as their present-day counterparts. The young men who are now trained for farming in college get more courses in basic science and arts. So it will be easier for them to cash in on some plan like Schultz's "Homesteads in Reverse." It would help, though, if more farm boys went on to college.

Of course, many farm boys have been getting nonfarm jobs for a long time now. As a result, the average age of farmers is increasing. Now that we have Social Security, it should be easier still to reduce the number of farmers. The older men who formerly felt they had to keep on farming because they had no other income will now have a chance to retire.

But moving people out of farming isn't enough, in itself, to make sure that the food surplus is cut and the farmers who are left have higher incomes. Lots of people can move out of agriculture and still leave a huge food surplus. Whether we keep this surplus will depend on just which people move.

And whether the men who are left in farming can still make a reasonable living will depend on how people move out of agriculture, what other resources move out too, and how the farmers who are left regroup with the other resources still left in agriculture. We, therefore, need to look at the other needed changes in agriculture. Let's look at land next.

Chapter 8

What About Taking More Land Away from Farming?

We need to grow less food. Although a great many people have left farming and still others are leaving, this big movement is not likely to rid us of the food surplus. How else can we cut food supplies? One obvious way is to use less land for farming.

The Soil Bank is a recent example of a program designed to take land out of farming. Farmers were paid for retiring cropland. Land taken out on a year-to-year basis was put in the "acreage reserve" and left idle. Land taken out for longer periods (3, 5 or 10 years) was put in the "conservation reserve" and planted to grass or trees. In both cases, annual government payments were on a per acre basis and the rate of payment was supposed to vary with the quality of the land. (Extra cost-sharing payments were available for farmers carrying out approved conservation practices like terracing.) Government payments are still made for land in the conservation reserve. Acreage reserve payments were made only on land formerly used for allotment crops —wheat, cotton, corn, rice and most types of tobacco. They have been stopped now. All cropland was eligible for conservation reserve contracts.

The Soil Bank failed to solve the surplus problem. Why? The generally accepted view is that not enough money was available to pay enough farmers to take out enough cropland. If we'd been willing to pay more farmers more, we could have done away with the food surplus, at least temporarily.

During 1957, for example, over 600 million dollars was spent to put land in the Soil Bank as follows:

Conservation Reserve: 6,437,932 acres
Acreage Reserve: 21,354,018 acres

A more detailed description of the extent of the program and our future commitment to it is given in Tables 5, 6, and 7.

TABLE 5. The Acreage Reserve Portion of the Soil Bank Program, 1956-58[1]

Item	1956	1957	1958
		Thousands	
Number of contracts	548	914	1,049
		Millions of acres	
Acreage committed (All in parts of farms only)	12.2	21.4	17.2
Made up of:			
Wheat	5.8	12.9	5.3
Corn	5.3	5.2	6.7
Rice	—	.2	.2
Cotton	1.1	3.0	4.9
Tobacco	—	.1	.1
		Millions of dollars	
Total cost (rental payments)	260	614	696

[1] Source: *Economic Report of the President,* January 1961, U.S. Government Printing Office, Washington, D. C., p. 104.
After 1958, the Acreage Reserve Program was discontinued. A partial substitute in 1961 is the temporary Feed-Grain Program.

TABLE 6. The Conservation Reserve Portion of the Soil Bank Program, 1956-60[1]

Item	1956	1957	1958	1959	1960
			Thousands		
Number of contracts	16	80	126	246	306
			Millions of acres		
Acreage committed	1.4	6.4	9.9	22.4	28.7
Whole farms	n.a.[2]	5.3	7.5	14.8	20.4
Part farms	n.a.	1.1	2.4	7.6	8.3
Cropped (including double cropping) as follows:					
Wheat	n.a.	.5	.8	2.3	3.2
Corn	n.a.	.9	1.5	3.5	4.6
Small feed grains	n.a.	3.5	5.0	7.9	9.4
Cotton	n.a.	.1	.2	.5	.7
All other crops	n.a.	1.7	2.8	8.7	11.4
			Millions of dollars		
Total payments	23	100	118	360	368
Rental payments	12	57	87	259	339
Cost-sharing payments for terraces, etc.	11	43	31	101	29

[1] Source: *Economic Report of the President,* January 1961, U.S. Government Printing Office, Washington, D.C., p. 106.
[2] n.a. = not available.

Economists have estimated that some 60 to 80 million acres of cropland would need to be retired before we could get rid of the food surplus. The figure could be even bigger, depending on the quality of the land that was put in the Soil Bank and other factors. For example, what changes would be made in the use of the land kept in farming?

Why should it cost a great deal to cut the food surplus by means of a Soil Bank? First, the Soil Bank was a *voluntary* scheme. The only way to get farmers to retire more good land would be to increase the rate of payment. Second, poor land was retired first. Third, much of the retired land

TABLE 7. Government Commitments under the Conservation Reserve, 1961-69

(Three, five and ten-year contracts made on or before 1960)[1]

Year	Acres
1961	28,600,000
1962	26,400,000
1963	25,200,000
1964	17,600,000
1965	14,000,000
1966	13,400,000
1967	11,500,000
1968	10,100,000
1969	3,600,000

[1] Source: *Economic Report of the President,* January 1961, U.S. Government Printing Office, Washington, D. C., p. 206.

was probably used less anyway. It was owned by older farmers or part-time farmers. Fourth, only *parts* of farms were retired. A farmer could still keep up or even increase his production by using his remaining land more intensively. He could fertilize more and maybe grow cash crops on land that he'd previously kept in grass, for example.

There's another snag to the use of a program like the Soil Bank. We can see this easily if we compare getting labor out of farming with removing land.

When men quit farming and work elsewhere, the chances are that they'll keep on working off the farm. Their off-farm wages will gradually increase the rate of economic growth of the whole country while they are helping themselves to higher incomes. Maybe some extra Government checks will help men leave farming in the first place. But it's unlikely that we will need to keep paying these men to stay off the farm. And it's even less likely that such payments would get bigger and bigger.

Paying farmers to retire land is something very different. Suppose we stop these payments. What happens? If farmers want to increase their incomes, naturally they will think in terms of farming this idle land. And what's more, land rested in the Soil Bank will probably give bumper crops for the first few years that it is cropped again. When retired land is still owned by an active farmer (or when his neighbors are willing to crop the land for him) payments of the acreage reserve type, in particular, are only likely to lead to still bigger surpluses. What's more, technology marches on. Helped by this technology, the farmer can get higher yields each year. He will need bigger and bigger payments to induce him to retire the same land. This is because the income he could get from farming the same field will go up and up, provided Government price supports continue.

So the costs of paying farmers an annual rent to keep land out of farming are likely to snowball. No taxpayer wants to have a program like that. Yet this program has not only been tried, but there's constant agitation to revive it. The 1961 emergency feed-grain program has the same fault. The key word is "emergency," which is incentive enough to take a serious look at other ways of retiring cropland.

First, let's look again at how much land needs to be retired. As we've noted, economists have recently estimated that some 60 million acres would need to be pulled out of agriculture before we could stop adding to the food surplus. This 60 million acres is 13 percent of all land that's normally plowed. This estimate assumes a voluntary program and it assumes that all types of plowland, good and poor, will be retired.

Let's assume that 60 million acres would do the job. Probably, people will disagree on how big the strategic stockpile needs to be. Some people may want to cut the program to, say, 50 million acres to be retired. They can't expect to go much lower and still rid us of the food surplus.

After all, we have nearly 30 million acres in the Conservation Reserve right now—and a surplus along with it.

Do you have an idea of what it means to take even 50 million acres out of farming? You may have heard somebody protest that good farmland is used for a new housing development, a hospital, a school, an airfield or a new road. Yet, in spite of the hullabaloo about towns creeping over the countryside, we can't expect these customary nonfarm uses of land to absorb more than a fraction of the 50 million acres of farmland in the next ten years.

Suppose we plan on 20,000 miles of new roads and take out strips of land 1/4 mile wide. That's a lot of new roads. But after it's all done, we have taken only 5,000 square miles, or 3,200,000 acres. So our big new roads scheme has taken out only 6 1/2 percent of the 50 million acres we need to retire. What's more, the compulsory measures needed for this sort of land retirement are likely to be expensive.

There is one good thing we have learned, though. We *can* improve our roads and build better housing without worrying that there won't be enough farmland left to grow the food we need.

We all know the story about the bundle of sticks, how they couldn't be broken all together but were easily broken one by one. Three million acres of retired land won't stop the food surplus—but it's one of the sticks.

What other uses could we make of farmland? What about more parks and forests? As the population increases, we're going to need more recreation facilities. Let's allow some new parks in all 50 states. Say, on the average, we carve out new parks 20 miles long and 20 miles wide in each state. That's a total of 20,000 square miles, or 12,800,000 acres, of extra land taken out of agriculture for parks.

But if we're really going to plan parks, we don't want just *any* land *anywhere*. We'd like some scenery. And, if we're planning on some hunting and fishing, we'll need

some rolling country with streams and trees and brush. Also, if these parks are going to benefit the most people, it will be good to locate some of them near the main centers of population, California and the east and north-east. So we find that the very land that's best for recreation is, for the most part, likely to be land that's not producing much food anyway. Wheat, feed grain and cotton are the farm products that contribute most to the food and fiber surplus. And the places where this surplus is grown are least needed for parks and other recreational facilities.

Taking out 12,800,000 acres in parks will reduce the food surplus in some minor ways. For example, some farmers might have to use cropland to grow hay and silage and grain for livestock that formerly grazed on this parkland. Taking out 12,800,000 acres of new parkland may have about the same effect as taking out 800,000 acres of cropland—and never mind the 12 million acres.

So that stick turned out to be a very small twig. On our 50 million acre easy payment plan, after parks and roads, we're left with 46 million acres of cropland still to be retired from farming.

We've already written off the idea of paying farmers so much an acre to hold parts of their farms out of production. We decided that this scheme was only breeding new troubles. What about paying farmers so much an acre to keep *whole farms* out of production? That sounds perhaps foolish or too simple, but acreage payments for retiring whole farms may have serious possibilities. In particular, many farms are owned by widows or older farmers who would be glad to have the security of a regular income. In the case of a young man with too small a farm (say, 80 acres), these payments might enable him to get needed training for a good off-farm job.

What are the snags to rental payment for whole farm retirement? First, it might seriously damage what's left of

the "farming ladder." Without the program, some older farmers and widows would be induced to rent their land to young neighbors on small farms. These younger men might thus increase their incomes and gradually control larger farms. With the program, the only young farmers who are likely to be successful at expanding are the ones who already own or rent a large farm.

Second, payments needed to keep these farms out of production are likely to increase each year as the food surplus decreases and other farmers' incomes improve.

Third, it could cost an average of $25 to $30 per acre each year (or $2 billion annually for the whole program) to remove the food surplus by retiring *parts* of farms. The likely cost would be higher still in the case of whole farms. When only *parts* of farms are taken out of cultivation, the farmer, naturally enough, can elect to retire his poorer land. In addition, he can still maintain his machinery and equipment as he operates the rest of the farm. When a *whole* farm is retired, however, the farmer must make a special chore of maintaining his machinery and equipment—or else let it run down. And he loses his good land as well.

Fourth, what happens when the older farmers and widows who had retired their farms quit farming for good? Will the heirs sell the farm or rent it out to neighbors? At least some of this land will probably return to agriculture. After the fallowing and with newer technology this land will be able to add still more to the food surplus than it did before. And the Government will have to pay out still more to retire it again—if the new operator is even willing to retire it.

There's one more hope for *voluntary* retirement of farmland: outright purchase by a government agency. We must assume that there are going to be further improvements in agricultural technology. To be on the safe side, then, let's suppose that at least 70 million acres of plowland will need

to be taken out of production in the next ten years before the surplus problem is resolved. Wheat, corn and cotton are the main items in the present surplus. Since large areas of good land are devoted to these crops, the average price of the purchased land would probably be about $150 per acre. The total purchase price the Government would have to pay could then be about 70 million times $150, or a total of $10 1/2 billion. Let's add another $1 1/2 billion for administrative costs, which brings the whole program to $12 billion.

It's not likely (or desirable) that 70 million acres would be bought in one year. Suppose that it is bought over ten years. Even if all payments were in cash, the annual direct cost would be a little over one billion dollars a year or $1.2 billion at most. This figure is not far out of line with the cost of some programs that have actually been tried.

What extra problems would this program raise? To begin with, wouldn't any large public purchase of land bid up the price of farmland to fantastic levels? And wouldn't the program then run itself into the ground, with much higher costs than the estimated $1.2 billion per year for ten years, before it ever began to reduce the food and fiber surplus? Not necessarily. If this land purchase program were the whole farm program, we could expect a spiralling cost of land. But if the land purchase plan were combined with measures to induce more farm owners to sell their land to neighbors, there would not be nearly the same tendency to bid up the price of land.

What else could we do to make it easier to retire enough land by direct purchase? Could we exempt these land sales from the capital gains tax, provided the proceeds were directly reinvested in nonfarm industries? This may look like a special concession to farmers. Some farmers might indeed benefit from land sale. But at least land prices would not be bid up high enough to prevent other farmers from

consolidating. Some farmers could still buy the remaining land to improve their efficiency and their incomes. Meanwhile, other industries would benefit from the extra capital, while the ex-farmers would still pay income tax on dividends from funds reinvested in nonfarm industries. It would be easier for nonfarm industries to expand and, in turn, employ more people, including men leaving agriculture.

The idle farmland would still need some maintenance —but it would cost little compared with the expense of keeping a full-time man on his reduced acreage as, in effect, an extension of the Soil Bank would do.

What's more, we would then be able to help farmers produce with less danger of another surplus problem in, say, the next five or ten years. With 70 million acres at their disposal, public agencies could help the remaining farmers rearrange their farms within their "living area" of land. The so-called family farm would still be the basis of food production. In fact, these adjustments would help to preserve the family farm.

Another advantage of a land purchase program would be that it could be started on a small scale. When all the "bugs" were taken out, the program could be extended. Compare this with programs like the Soil Bank where success in surplus reduction is an all or nothing deal. A Soil Bank program that is too small might even add to the food surplus.

How about the danger of new ghost towns developing? If several farmers in one district were induced to sell their land to the Government, wouldn't this have a serious effect on the prosperity of small towns serving these farmers? This danger could be reduced by limiting the number of farms that could be bought each year in one community. (The Soil Bank has had a similar safety clause.) Besides, it's a moot point whether local businessmen get less trade (or local Congressmen get fewer votes) by serving eight pros-

perous families carrying on active businesses with modern facilities than by serving ten poor families. Another way the adverse effects of ghost towns might be reduced would be to make some provision for the Federal Government to grant extra revenue to local authorities to make up for any loss in tax revenue they might otherwise suffer. With such compensation, there would be less danger that local schools would need to close, for example, when a few more farmers sold out.

We'd need to be careful, too, about blaming all ghost towns on such a land purchase program. Some ghost towns are bound to develop anyway. It's a natural symptom of economic progress, just as some small businessmen are bound to go bankrupt each year.

It's time for another stock-taking. We may not have exhausted the possible ways of taking farming land out of production. (We stepped lightly on compulsory measures, for example.) However, we've at least explored enough of the impossibilities to show how hard it really is to expect a program of land retirement alone to eliminate the surplus problem. We can say of land retirement: let's plan all the roads, parks, housing developments and other nonfarm uses of land that we need. And, if some of this land is good cropland, so much the better. But try as hard as we like, we're not likely to take out enough land this way even to dent the food and fiber surplus. The main weight of land retirement will fall on public measures to buy farmland or to pay farmers on a per acre basis for leaving land idle. As a long-term measure that doesn't create new headaches or merely postpone the surplus problem, Government purchase of land has a head start over programs like the Soil Bank.

In this connection, we may ask what the significance of land reclamation programs is. Don't they make it harder to solve the food surplus problem, since they are increasing

the supply of the already overabundant farmland? First, the impact of land reclamation on the surplus problem is likely to be rather small *in any one year*. Second, some land reclamation can be justified as a means of equalizing farm incomes across the country. Third, it helps equalize benefits from Federal expenditures among states. Perhaps the main point is that land reclamation programs are likely to accentuate the need for land retirement. Large scale land retirement will be required, irrespective of emphasis or deemphasis on land reclamation. It would be a pity if too much attention is directed to land reclamation in any "witch hunt." However, the potential increase in the productivity of land due to dam construction and associated flood control and irrigation may be great indeed.

Even our brief look at the possibilities of land purchase gave a hint that a number of other measures need to be included with a land purchase program before the food surplus is significantly reduced. But a land purchase program might well be a central part of a successful program to remove the surplus problem.

Chapter 9

What About Slowing Down Technology?

"We ought to be thankful we have a food surplus problem. After all, it's only because American farmers can produce so much food that we don't need so many farmers." This viewpoint is consoling. But it is only helpful if it reinforces our concern with helping farmers to higher incomes, encouraging more farmers to work in town, and making sure there are enough jobs for them in town. Even then, we concluded that reducing the number of farmers is not, of itself, likely to remove the food surplus.

In the previous chapter, it looked as though land retirement might be one way toward solution of the surplus problem. Then we saw that the amount of land that needs to be retired will increase as farmers use more modern technology. And a scarcity of farm labor is likely to hasten the adoption of labor-saving machines. It's natural enough, then, to point to technology as the cause of our woes. Why not freeze the level of technology? Wouldn't we be well on the way to solving the surplus problem? It seems reasonable enough to treat the cause of a disease and not the symptoms.

Perhaps we should close all state experiment stations, dismiss the research staff from the U.S. Department of

Agriculture, and cut research sponsored by business firms. We'd need to stop feed and fertilizer manufacturers from urging chemists to find new antibiotics and making fertilizer easier to handle, and stop machinery manufacturers from making new farm implements. Then we could stop developments in refrigerated transportation and the canning industry. On second thought, we might let the processing industries keep looking for new uses for farm products.

Even if we could do all this, the food and fiber surplus would very likely keep growing because of the ways new technologies spread. Farmers are scarcely beginning to use all the know-how that's available now. It may take ten years for a new technology to spread to all the farmers who could use it to make more money. You may say: "O.K., we have to start sometime. And, the longer we wait, the more new gadgets there will be, and the harder it will be to choke off a food surplus."

Then, too, you may say: "Why pick on the farmer? If we're going to stop new technology in agriculture, why not stop it in every industry? After all, isn't automation putting people out of work in the auto industry and other industries, too?" Pointing to employment upsets in other industries due to new technologies brings us closer to finding out why we must learn to live with new technology.

What *is* new technology and why *is* it a good thing? A new technology is something that enables us to produce more goods and services with the same amount of labor and the same amount of other resources as we had before. We all want more of the good things of life. There's never enough of these good things to go around. There are always people who want more goods and services. Even if every American had all he needed for his own use, there would still be many times our 180 million people outside the U.S. who would like us to help them produce more goods. From this viewpoint, we really don't have nearly enough new tech-

nologies. Freezing the existing level of technology in any industry under these circumstances would be foolish and even criminal.

Who objects to a new technology? Most objections come from people who are out of work because a new machine can do their job more cheaply. These people have to find other jobs. In the meantime, they are victims of what the economist calls "structural unemployment." When a country operates under conditions of "full employment," these people can get new jobs. All the workers together can then produce more goods than they could before the new technology was introduced. Full employment does not mean that every adult who wishes to work is employed all the time. It merely means that structural unemployment and other forms of unemployment we can do something about are kept to a reasonably low level.

Transferring men to new jobs does not guarantee that *everyone* will be better off immediately. Some of the men who lost their jobs to a new machine may have to take lower-paying jobs. Naturally, they are dissatisfied. Everyone else is better off, but they are not. Some of these men may, of course, find better jobs they'd never have known about otherwise. Then, too, some machines can be operated by unskilled labor. So they make jobs for men who might otherwise be hard to place. In general, though, the more new machines we have, the more training programs we are likely to need to help unskilled men get new jobs. We don't claim that organizing industry to make the best use of technology is simple. It isn't, and there is much human misery associated with its introduction. There's reason to suspect that more could be done to help men (especially older men) find suitable new jobs.

If you wanted to find a way of slowing down the rate of economic growth of the whole country, you probably couldn't find a surer one than to freeze the level of tech-

nology. The whole country is geared to providing full employment and assuring new opportunities for all citizens. Overall, these new jobs are tied crucially to new technology. It provides one of the best incentives for businessmen to start new enterprises and employ more people to satisfy the demand for more goods and services.

The agitation to freeze technology in agriculture stems from the fact that agriculture has been advancing too fast in comparison with other industries. Instead of urging less technology in agriculture, we'd be better off urging faster development of other industries through new technologies and expansion of service industries to absorb men who would otherwise be unemployed.

If we *do* have to pick the less desirable alternative of slowing down the rate of adoption of new technology in agriculture to match the expansion of other industries, what new problems do we face? We'd need some extra taxes or rationing or both. These measures are likely to penalize the young man who is trying to improve his income by adopting all the latest know-how. The incentive for these innovators to stay in agriculture would be so much less.

However, the price may be much higher than just discouraging young farmers. Slowing down new technology in agriculture could work against the chances of getting rid of the food surplus. Let's look at a few examples. Suppose we decided to slow down the rate of adoption of new fertilizers. The Government might tax fertilizer or limit fertilizer production so that some rationing would be necessary. You will recall that taking land out of agriculture is one of the most promising ways of reducing the food surplus that we have found so far. What restricting the use of fertilizer would do to the food surplus would depend on the type of land retirement program.

If the land retirement program were designed to take *whole* farms out of production, the taxing or rationing of

fertilizer might help remove land from agriculture. It would be less profitable for a farmer to stay on the farm. Now suppose the land retirement program involved paying farmers so much per acre for retiring *parts* of their farms each year. Taxing or rationing fertilizer might still increase the total amount of land retired, but not so much as if whole farms were retired. Farmers could "spell" some land each year to build up fertility, just as if they had used more fertilizer.

Guessing the likely reactions of farmers involves other difficulties too. For example, how *permanent* is any taxing or rationing of fertilizer likely to be? After all, fertilizer manufacturers and farmers are both likely to oppose this sort of legislation. If a farmer thinks that he'll again be able to get all the fertilizer he needs at the old prices after, say, three years, he may go on retiring some of his land each year and merely arrange his rotation so that he produces as much food as before. On the other hand, even if he guesses that he won't be able to get his former fertilizer needs for years to come, he may still be able to make use of other techniques already known to keep up his production. He may grow more legumes and run more livestock or make one or more of several other changes in his farming operation. Restricting the use of fertilizer would call for freezing other technologies, too. And what if the farmer is forced to "mine" the soil by continuous cropping without fertilizer to keep up his income? He may be able to farm this way for several years. If he then sells out to some neighbors, the neighbor may become one of the low-income farmers of the future and start off a chain of new problems.

Overall, then, it looks as though slowing down fertilizer use could reduce the food surplus in time, but it may create new problems by depreciating land and lowering farm incomes without helping toward a socially acceptable long-run solution to the food surplus problem.

What about the possibility of reducing the food surplus by slowing down the adoption of new machinery and equipment? Farmers are already better equipped than ever before. Even if no new machinery were added for, say, three years, the effect on the food surplus might be quite negligible. Even if some farmers wear out part of their machinery, there is no guarantee that the food surplus will be reduced. They can still hire equipment from other farmers now plentifully stocked. This is not to say that taxing or otherwise restricting the sale of machinery would *never* reduce the food surplus. We merely suggest that, for practical purposes, it might as well be "never."

A case might be made out for retiring some less modern machinery. Government purchase and retirement (perhaps to underdeveloped countries) of older or smaller machinery owned by older farmers and widows might induce these owners to retire their whole farms. This measure might well be an important one contributing to food surplus reduction and relief of income problems to older farmers at the same time.

How else could we freeze technology? The use of new know-how is often associated with reorganization of a business. One example might be a change to specialized production of fewer crops to take account of the need to use larger machinery on more acres. Any such big reorganization probably increases the farmer's need for funds. Maybe if we reduce his opportunities of getting credit to finance business expansion we'll slow the rate of food production.

However, there's not much reason to expect that the food surplus would be reduced even if credit for farmers were tightened. Farmers are not generally given to extravagant borrowing. And, thanks largely to inflation of farm values in recent years, the proportion of farm assets that is free of debt has reached an all-time high of about 88 percent. So farmers could still borrow more money if they

needed to. Even a contraction of credit to farmers wouldn't necessarily mean that the food surplus would be reduced; it would probably mean that farmers bidding against each other to buy more land wouldn't be able to pay as much as before. Land prices might fall some (if it weren't for other factors like improved machinery that are still tending to increase real estate prices).

Now, if land prices *did* fall some, any government program designed to buy up farmland and retire it from production might be cheaper. Of course, some farmers would think they were losing money by selling their land to the Government at a lower price. They could very well expect land prices to rise again in the future because the more prosperous remaining farmers would be bidding against each other. Accordingly, they'd be inclined to go on farming the land or renting it out until land prices did rise again. But there would still be some who *want* to sell out. And even if land prices *did* fall, the actual cash benefit to farmers who sold their land need not necessarily be lower. Land owners selling to the Government might be exempted from capital gains tax, for example.

As for the effect of tighter credit on farm machinery purchases, we've already pointed out some problems associated with using more direct restrictions on machinery sales.

What can we say, then, about the possibilities of reducing the food surplus and maintaining the incomes of remaining farmers by slowing down technology?

First, any such program would need to be very complicated (and more complication usually means more expense). Second, it doesn't stand much chance of succeeding as a main way of controlling the food surplus. Third, it could hurt a lot of people both on and off the farms by slowing down the rate of economic growth in America and elsewhere. Thus, slowing down technology in agriculture by

special direct measures appears to be a sterile or even dangerous suggestion. There *must* be better ways than this.

When you look back through this chapter, you'll see that most of the suggested measures would involve a lot of Government interference. Let's see how many points we can make on the rebound. The next chapter concerns the other extreme position—getting the Government out of agriculture.

Chapter 10

What's Wrong with Just Cutting Food Prices?

Why should we look again at food prices? We still say we can't eat the surplus. But there are two sides to any market. When we talked about eating the surplus, we were looking only at the chances of *selling* more food. Isn't it possible that food prices could be cut enough to stop farmers from producing so much food? Yes, it probably is. Then why the need for any more complicated programs when a simple price cut for all food and fiber would do away with the surplus? Of course, people thought of trying this years ago. Even today, one of the strongest farm groups favors a rapid return to "free market prices."

What's wrong with just reducing food and fiber prices to discourage farmers from producing so much? From where we are now, it looks as though the needed price cuts would mean, for many farm families, lower incomes and capital losses. But whatever prices farmers get, price cuts alone are not likely to get rid of the food surplus in a way that would be acceptable to most people.

One recent study made for Congress by agricultural economists showed that a gradual reduction in product prices, allegedly great enough to eliminate excessive stocks

of storable farm products, would make farmers' net income drop about 40 percent by 1965, that is, from $11.5 billion to $7 billion.

Of course, any estimates of this sort can't be more than educated guesses. The men who make such estimates are well aware of the wide errors that can occur. Even if we allow a wide margin for error, it looks reasonable to expect that a return to free market prices would lower farmers' net incomes by at least 25 percent of the 1954-58 average of $11.5 billion. The main point is that farmers are likely to take a big cut in income, while the average income of non-farm people is expected to go up at the same time.

There can be little doubt that such a drastic reduction in farm product prices could impose severe hardship on many farmers. One of the big if's of this projection is, however, whether there really would be no surplus food also. With all the talk about the cost-price squeeze facing farmers and agitation for parity prices, you might think that prices were the foremost thing governing farmers' actions.

Yet what farmers really are concerned about is income. Prices play an important part in determining income. But farm prices are not the same as farm income.

Take the simple case of the average wage or salary earner. If wages are increased and a man works the same number of hours each year, then his annual income is increased; and if wages are lowered, his annual income is lowered. And whether we talk about income for a month, or a year, or ten years, the same relationship holds.

Farming is much more complicated than that. In fact, guessing producers' reactions to changes in prices in farming may be harder than guessing these reactions in many other businesses. Like any other businessman, a farmer gets part of his income from the extra cash he receives over the amount he spends. Like most other businessmen, too, a farmer has a certain amount of land, buildings, machinery

and equipment he uses to run his business. And his net income depends partly on valuing this inventory and making adequate provision for its maintenance and replacement. Because the farmer has special inventory problems, particularly now, it's hard to predict his reactions to a big fall in food prices. Compared with the value of their total assets, farmers are now about as debt-free as they ever have been in modern times. (See Table 8.) So they could still go into

TABLE 8. Value of Assets Used and Assets Owned by Farmers, 1940-61[1]

Year	Assets Used	Assets Owned
1940	$ 53.0 billion	$ 43.0 billion
1941	55.1	44.7
1942	62.5	52.0
1943	73.3	63.3
1944	83.8	74.9
1945	93.1	84.8
1946	102.0	94.0
1947	113.9	105.4
1948	125.2	115.9
1949	132.1	120.7
1950	130.8	118.3
1951	149.6	136.5
1952	165.6	151.0
1953	162.9	146.8
1954	159.7	142.6
1955	164.7	146.9
1956	168.1	149.2
1957	176.3	156.8
1958	186.0	165.8
1959	202.3	179.0
1960	203.6	179.3
1961	199.3	173.6

[1] Source: *Economic Report of the President,* January 1961, Government Printing Office, Washington, D. C., p. 208.

TABLE 9. Farmers' Purchases of Fertilizer, Feed, Seed and Livestock, 1940-59[1]

Year	Fertilizer and Lime Purchases as a Percent of 1947-49 average	Feed, Seed and Livestock Purchases as a Percent of 1947-49 average
1940	48	63
1941	52	65
1942	58	80
1943	66	88
1944	75	90
1945	78	101
1946	92	97
1947	97 } Average	102 } Average
1948	98 } = 100	101 } = 100
1949	105 }	97 }
1950	118	101
1951	126	112
1952	139	113
1953	143	112
1954	152	115
1955	156	120
1956	158	128
1957	163	130
1958	167	141
1959	188	145

[1] Source: *Economic Report of the President*, January 1961, Government Printing Office, Washington, D. C., p. 205.

debt to maintain present production. In addition, there are many more items of large, modern machinery on American farms than ever before. If this machinery and equipment can't be used, it's just about useless. If food prices do fall, then, the average farmer has both the means and the incentive to maintain production. He can't expect to sell his equipment to anyone else unless he sells it for far less than he paid for it. And the only way he can increase his cash

receipts is to produce more units of food and take a lower margin on each unit.

Isn't it true, though, that farmers' cash expenses now include a lot more purchases from other industries? A look at Table 9 shows that we must answer "yes." And won't many farmers have to stop producing food because they can't meet these cash expenses when food prices fall? Sooner or later, depending on how much farmers were willing to go into debt (and how much their creditors would let them), some farmers would have to sell out. And maybe their increasing dependence on gasoline, chemical fertilizers and the like may hasten this day. But even this doesn't mean the food surplus will disappear. In fact, the end result may well be a still greater surplus.

Suppose many farmers *are* starved out of farming—a pathetic and ironical situation at best. Who are they likely to be? Some may be young men who were best trained and best equipped but had too much debt to begin with. They are good farmers but just happened to be born at the wrong time. Others may be old men and widows who begrudged eating up their retirement nest-egg on current expenses. If any of these farmers sell out, the chances are that some of their larger neighbors will take over their farms and go on producing food on the same land. With more mechanization in farming, this process might go on for quite a long time.

It's easy to exaggerate the increasing importance of farmers' cash expenses. Some farmers' recent cash expenses have involved buying new machinery to keep up with the times. They may still be able to reduce cash payments for many years (even while buying more gasoline) by getting less new machinery and repairing their present equipment.

About the only thing we can be sure of is that the return to free market prices alone is likely to mean misery and losses to a great many farm families. Of course, it may

affect other people, too—machinery and fertilizer manufacturers and their employees and, beyond these, the makers of cars and other consumer durables. Farmers won't be able to buy as many of these items.

That doesn't mean that some lowering of prices paid to farmers wouldn't be helpful in reducing the food surplus. It merely means that it's very unlikely to be enough *by itself* to reduce the food surplus in a humanitarian way, or even in a way that would minimize upsets to other businesses. Lowering food prices can only be seriously suggested when it is tied to other measures: a public land purchase or rental program and help to farmers in locating suitable off-farm jobs or training for new jobs; some form of compensation to older people for the need to junk farm machinery might be included.

These extra measures have been cited earlier. Another recent suggestion to enable food prices to find their own level is that of Ernest Van Den Haag in *The New Leader* (February 27, 1961, pp. 9-10). Professor Van Den Haag suggests that, while returning to free markets, the Government might say to each farmer, "We'll guarantee you a 'taxable income' of $7,000 a year. After that, you're on your own." That way, the cost to the taxpayer might be reduced by "more than $5 billion a year," according to the article. How does Professor Van Den Haag propose to make these income payments? He suggests paying farmers support prices only until they attain a $7,000 income level. Why are any farmers now receiving less than $7,000 per year, however? Surely they have had incentive enough already to reach $7,000, if support prices were all they needed? Short of such misfortunes as ill health, there can be only two reasons: either they are farming inefficiently or they don't have enough resources. Offering support prices, especially with the promise of lower prices the following year, is unlikely to remedy either of these deficiencies. In fact, then,

the number of farmers reporting incomes under $7,000 would very likely swell under the Haag program, since farmers previously reporting taxable incomes over $7,000 would be invited to make capital improvements to inflate their depreciation payments.

We are very doubtful about how much (or how little) program costs could be cut by limiting price supports to farmers below a certain income. A farmer's income is, roughly, what is left after meeting costs. But these "costs" include allowances for depreciation of equipment. Secure in the knowledge that they could clear $7,000, all farmers (or at least all those now making more than $7,000 a year) could buy new machines, perhaps a new car every year, blacktop their roads, build miles of fences and extend their barns, hire labor and, in fact, do about anything they would wish—and the Government would cover their costs and add a $7,000 bonus. The millenium would have arrived. Perhaps safeguards could be provided against the most flagrant breaches of privilege. Yet, even if the operations of every farmer were scrutinized, it would be difficult to prevent such abuse and more difficult still to reduce program costs. Who is to decide when a farmer really needs another new tractor, for example?

Perhaps these payments could be justified if they were made only to farmers who agreed to work elsewhere. Professor Schultz's "Homesteads in Reverse" already makes this suggestion. (See Chapter 7.) But Professor Schultz also tried to guard against abuse by specifying conditional lump-sum payments.

If you look again at the discussion of what might happen to the food surplus if food prices were lowered, you may conclude that the extra measures might take care of the welfare aspects of shifting farm people well enough but that they still don't offer any guarantee that the food surplus will be removed. In fact, it looks more and more as

though other measures will be needed to restrict the amount of food farmers are willing to produce. Any practicable lowering of prices paid to farmers may not encourage them to reduce production enough to get rid of surplus stocks. The next stage of our discussion will center on the possible extra measures that may be needed to reduce the food surplus.

Before we look at these extra measures, there are a couple of things that may be worrying you about the discussion in this chapter. Let's take them up in turn.

Maybe free market prices aren't the answer anyway? Maybe what farmers *really* need is a two-price plan? Two-price plans have received a good deal of publicity in recent years. How is it we haven't given them more attention here? You remember that we looked at a two-price plan, or dumping, in Chapter 4. Can you see why the two-price plan could be the same thing as a gradual reduction in farm product prices? Although it amounts to a less severe reduction in product prices than free market prices, it would still mean price reductions to farmers. We've already doubted whether more severe price reductions would reduce the food surplus. If these doubts are justified, there's no hope at all that less severe price reductions, represented by a two-price plan, will get rid of the food surplus.

A practical man looking at ways of reducing the food surplus has good reason to ask more questions. One very embarrassing question he could ask is: "Just what are the free market prices for wheat and cotton?"

It would be meaningless and dishonest to quote any exact figures in reply; there are too many interferences with free market conditions both here and overseas. About all that can be said is that the free market prices are likely to be lower than prices now paid to American farmers. Seeing that price changes are likely to be made gradually,

anyway, that's all we need to know to attend to the practical aspects of the program.

We've saved till last one important objection to reducing prices paid to farmers as a way out of the surplus problem. If you were talking to a farmer, you'd probably have heard this point before. Look at the price the farmer receives for something you buy at the supermarket and look at the price *you* pay. Often enough, you'll find that what the farmer gets is only 10 or 15 percent of what you pay.

Naturally, a man producing eggs or raising beets is likely to say: "Forget about cutting *our* prices. We need to cut out the middleman and really get out and sell this food." We have already pointed out that selling all the food Americans can eat (never mind what they can pay for) isn't going to make much of a dent in the food surplus. There is another reason for looking again at the farmers' objection though. The main reason for looking at ways of cutting prices paid to farmers was to see how effective it was likely to be at cutting the supply of farm produce and so reducing the food surplus. We quickly began to doubt how much effect these price cuts would have. We pointed out the special conditions of farm production that might weaken the surplus-reducing effect of such price reductions.

We might justify some attempts to cut prices paid to processors and men selling food to the public simply by saying that we wanted to be fair to everyone. After all, if the farmer has to take a price cut, why shouldn't the processor? There's a more important reason for looking at prices paid to processors, however. That is the growing importance of integration in agriculture—the coordination of different stages of food production to avoid or reduce bottlenecks as food, feed and fiber pass from farmer to processor and so on to the consumer. A canner contracts directly with a grower to supply him with tomatoes, beets and asparagus.

A feed processor contracts directly with a grower to feed chickens to a certain weight. The processor probably provides the chicks, delivers the feed, and ships away the fattened broilers. One most encouraging feature of this spread of integration in agriculture is that it's due largely to the efforts of free enterprise.

What does this have to do with reducing the food surplus? "It looks more like *adding* to it," you may say. The connection is just this. Maybe the farmers won't cut production enough if their prices are reduced directly. But maybe some price adjustments can affect the profit margins of food processors and distributors enough so that they, in turn, will reduce the number of contracts they make with growers.

This possibility is closely related to marketing controls, the topic of the next chapter. Since ways of cutting the food surplus are few enough, you'd be justified in feeling enthusiastic about this possibility. But—here is that word again—there are many farmers who are not much involved in integration. And some people think that integration works best in, say, vegetable and broiler production and may have little to offer the wheat industry, for example.

Just the same, we're gathering a number of sticks together now: encouraging people to move off farms, farm consolidation, land retirement, guiding changes in the prices of farm products, and now guiding prices and output through integration. So fortified, let's try to find how more direct production guidance might be tied in with product price adjustments to help curb the food surplus. Maybe economics isn't so dismal after all.

Chapter 11

What About Adding Marketing Controls for Food?

Whether you're a Democrat or a Republican, you're likely to come to some of the same conclusions about the food surplus. One of these conclusions is the need for closer matching of the quantities of food and fiber produced by the farmer with the quantities that can be processed and marketed. Changing the prices paid to farmers isn't likely to bring about this matching. We can't ignore these prices, of course, but we can't rely on them to do the whole job of surplus reduction.

Everything so far points to the need for giving farmers extra guidance in making their decisions on what to produce and how much to produce. This doesn't mean that the Government must do the job directly. There's still room to satisfy the men who are concerned about "getting the Government out of agriculture." We merely need to agree that getting the Government out of agriculture isn't the same as saying that free market prices are all we need to solve the food surplus problem. In fact, to solve the food surplus problem and still get the Government out of agriculture can only be done if private citizens face up to the need to create new organizations themselves.

If farmers could only organize effectively to control their own output, the surplus problem would disappear. Of course, without *some* Government intervention of the Anti-Trust type, there's no guarantee that the cost to the consumer would be any less than it is now. Consumers might pay at least as much in increased food prices as they formerly paid through taxes to store the surplus food.

But farmers have already organized effectively to market some of their products. Californian growers of nuts are an outstanding example. Growers are assigned quotas by their own marketing cooperative. The price of their product is accordingly maintained and so is the average income level of the growers.

If farmers have succeeded in controlling the production of some foods, we may react in two ways. First, we might say, maybe it's only a matter of time before farmers solve the whole surplus problem this way. This reaction looks more like a hope than a prediction. The second reaction, which more nearly fits the present circumstances, is: There must be some real snags that are stopping other farmers from taking advantage of farmers' cooperatives for supply control. And there are.

We get some hint of these difficulties, when we look at the conditions under which farmers' cooperatives have been successful. Usually, the product the members grow is produced in a few localized areas. Nuts and some fruits are good examples. In any case, there's tight control over the market area in which the cooperative works. The cooperative is virtually a local monopolist. It doesn't have to worry much about competing with other farm groups. Under these conditions, membership can be fairly stable and even the pressure on members to improve production efficiency is relatively mild.

There are other commodities that are successfully marketed with government help. Take the case of the American

sugar industry. The Government sets the national quota (in conjunction with other sugar producing countries). This quota is broken down by states and then by smaller districts and so down to the quotas, or proportionate shares, assigned to individual growers. Individual processors of sugar are also assigned quotas by the Government. The national quota is geared to population changes and is expected to increase gradually. There is no great pressure to reduce the number of growers and, in fact, the allocation problem of a district may be whether to increase the proportionate shares of some growers or permit the entry of new growers. In addition, sugar is not the only product of the farms that produce it. This situation is especially true of some sugar beet farms. (About one-fourth of the sugar consumed here comes from domestic beet sugar, about one-tenth from domestic cane sugar, and the rest is imported.)

If all farm products were sold through marketing cooperatives, however, serious new problems would arise. First, it's hard enough to find good managers for all the present cooperatives. One could scarcely expect to train enough new managers in less than, say, five years. Second, these cooperatives would be competing against each other in the face of a mounting food surplus. Some of the new cooperatives would be compelled to cut their membership severely (or cut quotas to individual members severely) so that they could survive. And what happens to members evicted from a farmer's cooperative? For fruits and nuts, it may be possible to prevent competing products from leaking back into the same market. (California has special laws for this purpose.) But it's much harder to imagine a wheat cooperative preventing anyone else from trading in wheat in their district. Farmers who had grown wheat would seek to sell it, whether they were members of a cooperative or not.

To advocate local farmer cooperatives is one thing. To

urge that all farmers market all their products cooperatively is another thing and much harder to carry out. It's easy to see why farmers' organizations have hesitated to adopt this second step.

Farmers' cooperatives give farmers at least some measure of control over their own future. On this score alone, their possibilities deserve more consideration. How could these cooperatives be modified so that they could be better used to reduce the food surplus? The essential need is to encourage less efficient members to leave the cooperative and grow something else or leave agriculture. At the same time, the efficient producer needs to be encouraged to become still more efficient so that his cooperative can hold or extend its market in the face of competition from other cooperatives and, possibly, overseas producers.

One suggested way is to develop "efficient cooperatives." An efficient cooperative would still allocate quotas to members and make payments based on these quotas. However, payments would now be of two kinds: "welfare payments" and "efficiency payments." The quotas allocated to *all* members in the normal way would comprise, overall, only about half the total expected annual sales of the cooperative. The payments for this production would be the welfare payments. They would enable a producer and his family to live and keep his business in running order. Quotas for the remaining half of expected sales would be auctioned to both cooperative members and prospective members. In other words, they'd be sold to anyone who farmed in the area and wanted to bid. Any local farmer could bid on all such parcels (or at least several of them, as was agreed upon by the local directors). The payments for food produced in response to these auctioned quotas would be the efficiency payments.

What would be the basis of the auction? Obviously, in auctioning quotas to producers, there's not much sense in selling to the man who agrees to supply at the highest price.

One way might be to have an inverted Dutch auction wherein the quota would go to the man who agreed to supply it at the lowest price. (In the typical Dutch auction, the initial reservation price for lots is set quite high and is moved successively downwards. The goods go to the first bidder, since any further bids would be lower. In the present instance, it is the sellers and not the buyers who are bidding.)

It would be fine if all producers in a district could attend such an auction. Since that is unlikely, auctions at different locations would be needed. Alternatively, if protection against abuse could be given, some postal or telephone system of Dutch auctioning might be arranged.

Other ways of auctioning quotas could be used. An ordinary auction might be simpler to arrange and just as effective. The producers would buy the quotas from cooperatives. Producers would then be paid the going price on this food when it was delivered. That way, the directors of the cooperative might be spared some difficult problems in estimating the likely sale price of this food. However, farmers may not have the cash on hand to bid on these quotas and require credit from the cooperative. What happens then, at the end of the season, if receipts from farm products are less than the cash advanced to buy the quota rights?

To make efficient cooperatives work, some government supervision would be necessary. But local directors would have the initiative. The need for government activity would be mainly in licensing cooperatives. To make the system work, it would be necessary to license cooperatives so that the sale of all food and fiber by farmers would be to neighbors and the cooperatives only. Setting up efficient cooperatives means red tape. If they worked, however, much of the red tape already in the farm program could be cut out.

Let's assume that you agree that greater use of marketing quotas would help reduce the food surplus. Maybe you do agree to this need but just don't like the ways of doing it that we've looked at so far. How would you devise an alternative plan?

(1) You'd need to settle on some set of "fair" prices to ensure farmers a "fair" income and keep food prices to consumers at an acceptable level. Consumers would probably want these prices to be rather stable.

(2) You'd need to name national production targets for each commodity. How much would you want farmers to produce? Some carryover from year to year would be needed so that consumers would have a regular food supply even if the weather were unkind to farmers. We'll need to have a clear idea on what a surplus really is before we can set these national targets. How much is too much for food storage? When we add defense needs to insurance against crop failures both here and in other countries, we would probably agree that it's just as well to store enough food for one year.

(3) We'd need individual quotas for farmers. We might allocate quotas to states, and the states, in turn, allocate sub-quotas to counties, and the county organizations might set the quotas for their own farmers. To maintain "fair" incomes to farmers, we'll probably need to vary the quotas from one year to the next. After all, farmers' incomes depend on the prices of the goods they sell and the quantities they sell (and on other things too). Even today, the weather has a *very* big say in how much a farmer can produce.

(4) It's no use providing quotas (or any other form of rationing) for farmers (or other citizens) unless there's a police force that can see to it that everyone sticks by the rules. Quotas and black markets usually go together. A parallel program of land retirement would reduce the danger of black markets.

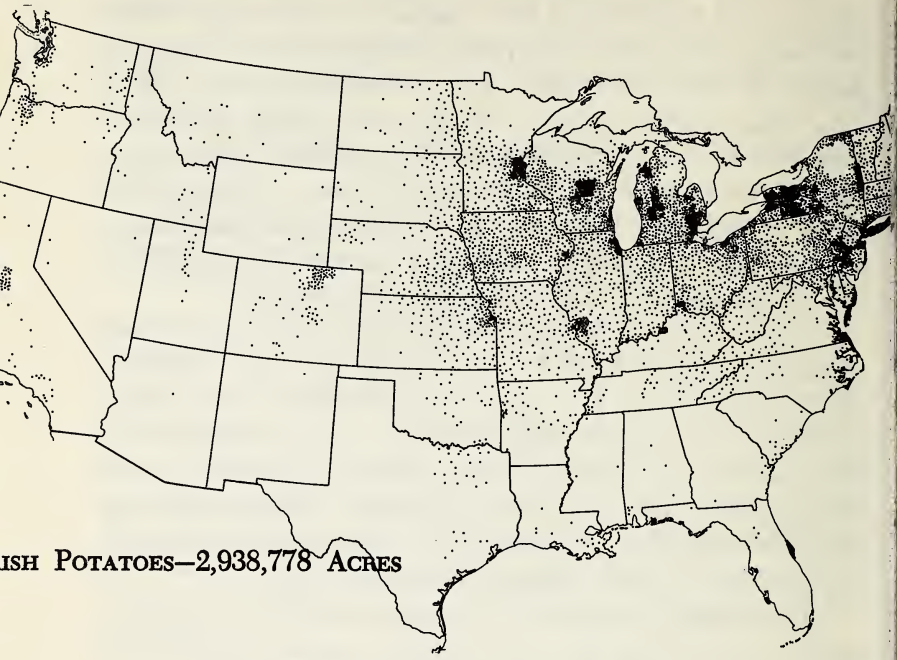
(5) We need to allow for changes in the number of farmers and in the areas that produce certain crops. Over the years, there have been big changes in the cropping pattern of the United States. The accompanying maps illustrate some of these changes. To prevent changes like these from now on would only add to the problems of agriculture because farmers would be prevented from adapting their farms to changing economic and technological conditions. Besides, how is a young man to get ahead in farming if he has no chance to increase his marketing quotas?

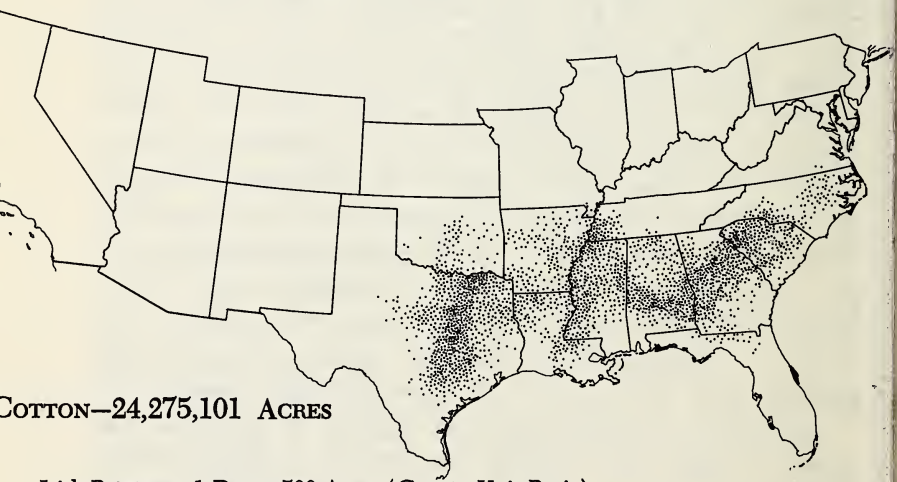
Various ways have been suggested to help ensure that marketing quotas *would* be transferable. One time-honored way has worked well in some districts. That is the direct allotment of a certain number of acres to the individual farm. In the case of tobacco, this method has been used to control production. (As a result, the price of land on farms with allotments has increased.) The allotment is sold with the farm and is just as transferable as the land.

One leading economist has suggested that the quotas could be issued directly to the farmer, instead of the farm. These quotas could then be sold without the need to sell the farm. This method might make it easier to transfer quotas, although other likely difficulties would need to be resolved. Let's look at one of these difficulties. When allotments are assigned directly to a farm, the land is sold at a higher price, reflecting the value of the allotment or quota. Short of bankruptcy, there's no question that the man buying the land will be able to go on producing something. If the allotments are sold separately, however, what is the land worth? Who wants to buy farmland if he's not allowed to grow anything on it and he's not paid anything for *not* growing food? Yet, what is this farmland really worth?

A third way of arranging the transfer of quotas is the auction system we've already described in relation to the efficient cooperatives. You may think of other ways.

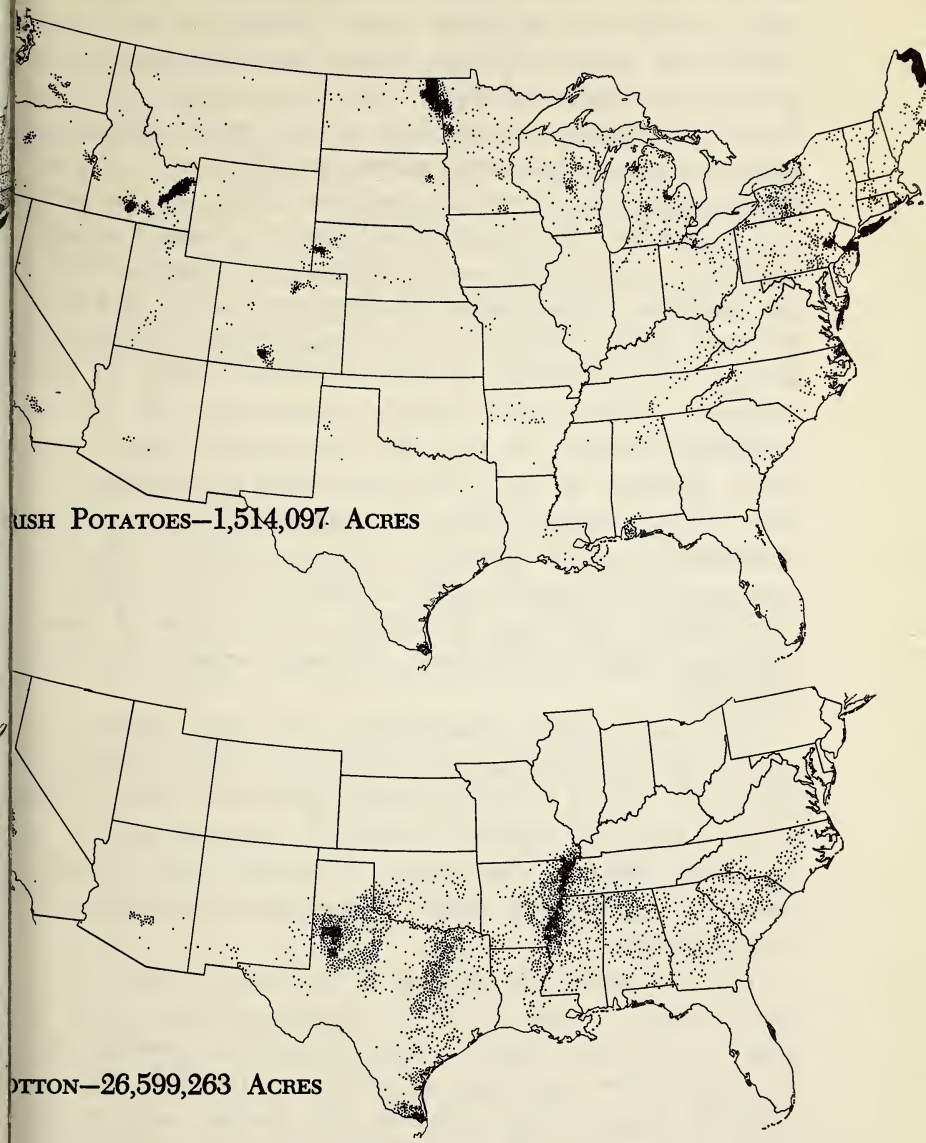
UNITED STATES ACREAGE, 1899





Irish Potatoes: 1 Dot = 500 Acres (County Unit Basis)
U.S. Department of Commerce, Bureau of the Census, Map No. A50-023
Cotton: 1 Dot = 10,000 Acres (County Unit Basis)
U.S. Department of Commerce, Bureau of the Census, Map No. A50-019

UNITED STATES ACREAGE, 1949



Irish Potatoes: 1 Dot = 500 Acres (County Unit Basis)
U.S. Department of Commerce, Bureau of the Census, Map No. V50-080
Cotton: 1 Dot = 10,000 Acres (County Unit Basis)
U.S. Department of Commerce, Bureau of the Census, Map No. V50-082

(6) Another requirement of any workable quota program would be to coordinate home production with food exports and imports. Cotton, wheat, rice and tobacco are examples of foods and fibers that we commonly export. But other countries export these goods, too. If American prices are higher than world prices (partly because of production quotas on American producers), how do you prevent Egypt from shipping cotton to us, or restrain Canada, Argentina and Australia from shipping in wheat? During the transition period when American production is being trimmed, there will need to be extra measures to prevent leakage from producers in other countries adding to the American surplus. We've already pointed out that this is a difficult problem. In fact, the Government might even find it necessary to pay out compensation to producers of some other countries while the adjustment in American production is made. However, if other countries can be convinced that America really is facing up to the food surplus problem, they may be willing to bear some of these adjustment costs (in the form of smaller markets) in the meantime.

Let's have another stock-taking. We began looking at marketing quotas as a way of controlling the food surplus. This heavy weight fell on marketing quotas by default. The previous measures together couldn't be expected to have a significant effect on the surplus, although some of these measures would be very helpful in making surplus reduction more palatable.

We are justified in looking at marketing quotas as a main measure to get rid of the surplus problem or cut it down to size. But there are still tremendous problems to be faced before marketing controls can be fitted into a workable farm program. By far the greatest need is to devise a plan that will ensure that the surplus problem is gradually reduced along with the food surplus.

Any number of makeshift programs could get rid of the surplus in the next few years. But just about any program that could cut down the surplus now would only create new, bigger and more costly problems to be faced in five or ten years from now. In particular, we are thinking of the need to encourage inefficient farmers to quit farming instead of encouraging them to hang on in the hope of a guaranteed future income for producing food that nobody wants.

As we seek a possible new program for agriculture, our mandate is clear: to get rid of the food surplus problem and not just the food surplus.

Chapter 12

How About a Package Deal to Get Rid of the Food Surplus?

"Let's get rid of the food surplus problem and not just the food surplus." You may think that this slogan is best kept in an ivory tower. Mention of Democrats and Republicans in the previous chapter may have led you to take a hard look at the politics of the farm program. Politics, we are told, is the art of the possible. "If we *can* find a way to get rid of the food surplus *now*," you may say, "why not do that and worry about the new problems when they come up?"

It's precisely because this approach has been used since World War II that the surplus problem is now bigger than ever before. In fact, before World War II and right up to the Korean War, "bits and pieces" programs appear to have worked out well. Why should conditions now be any different? Are our politicians and our economists not so smart as they used to be? It's high time we faced a simple truth. The success of past programs is due as much as anything to pure *luck*.

How do we control the development of new technologies? Is it only because of some special Government pro-

gram (or the lack of it) that discoveries are made? To bring matters close to home, you would scarcely concede that, if there really is a space gap between Russia and America, some new Government program is *all* that is needed to reduce it or even turn the tables on Russia. Sure, we can do a lot to give our scientists and our inventors better facilities. But whether or not one industry or one country discovers a new technology first still involves a break-through on the part of a few creative individuals. American agriculture has forged ahead partly because some hard-working individuals helped bring on a technological revolution and partly for other reasons, such as the early abundance of land.

The development of important and economically feasible new uses for cotton and wheat or corn would probably be enough, even now, to make just about any farm program Congress came up with look great. In the past, "long shots" have saved farm programs. We'd have had a gigantic surplus problem much sooner if it hadn't been for World War II and the Korean War which led to tremendous wastage of food and other materials, to a cutback on production of farm machinery, and to scarcity of farm labor. The widespread drought of the mid-thirties also slowed the development of a food surplus. But we can't run the business of a country or an industry just by waiting for long shots any more than an individual businessman can survive this way. (Incidentally even the cold war may not be all bad, since it provides both sides with a stimulus to foster economic growth.)

Conditions of production and distribution now facing agriculture are, then, unlike anything we have known before. We have to recognize that there are far too many resources committed to agriculture and that these resources are going to be there (and be multiplied) unless the farm program is suitably modified. We have to recognize that

the economic system is becoming increasingly complicated. Almost any farm program that involves legislation affecting part of agriculture or only some markets for the goods farmers buy or sell is likely to generate new problems elsewhere, and it may be even harder and costlier to solve these new problems. Every year, the need for a coordinated farm program, acting on many segments of society in many ways, becomes more urgent. Such a program would involve new legislation and modifications of present legislation.

Even now, after looking at the individual measures discussed in earlier chapters, you may be skeptical of the need for a "package deal." If you're a tolerant skeptic, let's look at the sort of overall program that might be expected to succeed in solving the food surplus problem where "bits and pieces" programs would fail. Let's look at the *least* we need to do to alleviate the surplus problem—but let's look for a solution.

To reduce the surplus itself, we must have some form of marketing quotas for all the farm products now subject to price supports. Some storage facilities will always be needed to provide insurance against shortages of food due to bad weather or wars. But we appear to have enough storage. (Price supports are mandatory for six basic commodities—cotton, corn, wheat, peanuts, rice and tobacco—and also for milk and butterfat, honey and tung nuts, and wool and mohair. Permissive supports apply to barley, oats, sorghum grains, rye, cottonseed, flaxseed, soybeans, dry edible beans, and crude pine gum.)

To reduce the need for quotas and to make it easier for families no longer needed in farming to transfer to other acceptable jobs, we must have supplementary measures. The extra measures likely to have the most important effects are:

(1) Land retirement by Government purchase of whole farms throughout the country, including the transfer of

farmland to other uses, such as highways, schools, hospitals, housing, parks and forests. Purchased land in the heart of the major production regions to be held available for later farm consolidation.

(2) Associated measures to encourage farm families to retrain or retire. For example: (a) Exemption of farmland sales from capital gains tax, provided the proceeds of these sales are directly reinvested in non-farm industries or education, or provided the land sold was used for farm consolidation. (b) Special scholarships to train farmers wishing to enter another occupation.

(3) Continued and expanded research on the problems of adjusting agriculture to economic progress so that adequate long-term demand estimates can be made available to farmers' and public marketing organizations and so that further modifications of institutions dealing with farmers will be made as the need arises.

(4) Continued and expanded education of all citizens (not just farmers) on the peculiar problems of agriculture and the likely consequences of legislation proposed to deal with these problems.

Some parts of the present farm program might well be continued. For the most part, however, these parts can't be seriously thought of as a means of reducing the surplus problem. They must be justified mainly on other grounds. For example, most people would think that the School Lunch Program is a good thing. Yet ensuring children a minimum diet necessary for healthy development must be thought of as an expense charged against a general Social Capital Account and not a special hand-out to agriculture. The contribution of this program to food surplus reduction is insignificant. Similarly, it is reasonable to charge the cost of surplus food given to needy people overseas against a general Social Goodwill Account.

Most crucial is the need to eliminate the Soil Bank pro-

gram as the opportunity occurs and replace it by the purchase of whole farms or some other program that will not tend to compound the present food surplus problem. An associated important measure is some restraint on the maximum level of price supports. (Present legislation provides such restraint.)

No doubt there will continue to be other measures that would help the minimum measures in reducing the surplus problem. However, the more such measures there are, the greater will be the need to look for possible conflicts with the main measures and among the new measures themselves.

Where do we stand now? We have ventured to suggest that there is a solution to the food surplus problem confronting the United States. It would be still more helpful if we could draw up several alternative solutions. In effect, we already have done so: we listed the *types* of measures likely to be essential to a successful solution. The relative emphasis to be given to these different measures will affect the impact of the program and the rate at which we get rid of the surplus.

Why did we not give more alternative *sets* of measures? You saw how hard it was to arrive at one seemingly consistent set that may deserve further trial. In deriving a minimum set of measures we have also illustrated the kind of difficulties you may meet in a similar task.

We hope that we have shown how self-defeating it could be to depend on any one measure to eliminate the surplus problem. And we hope we have made it clear why recent farm programs have compounded the difficulties of getting rid of the surplus problem.

We'd also like to warn you about some possible pitfalls when you look at the "facts" to guide you to an alternative program. We've illustrated a few of these difficulties in the next chapter.

Chapter 13

Some Canned Facts, Figures and Arguments

Whenever farming is discussed, someone will mention that one American farmer now feeds 25 or more other people. "About 30 years ago," he might say, "one farm worker could produce only enough food and fiber for himself and nine others." Many farmers certainly have done much to increase their production efficiency. But these figures don't tell us how much: they are downright propaganda. Sure, they're often used by people who don't intend to deceive. And this fact alone should underline the need to set our thinking straight.

In our case, let's take a look at some other figures. One set of figures that would be helpful would tell us *who else* has been producing this food and fiber. In 1930, farmers bought 115 million dollars' worth of tractors. They used six times as many horses as in 1958 and, of course, the horses were produced on the farms. In 1958, farmers spent 675 million dollars on tractors, almost six times as much as in 1930. To get a more complete estimate of the help that farmers have had from the machinery industry, let's add the extra money farmers spent on motortrucks and other farm

machinery and equipment. This brings the total to $405 million in 1930 as against $2513 million in 1958. Sure enough, some of this extra expenditure was due to increased prices that farmers have had to pay to non-farm industries. But the addition of farm machinery and equipment in about the last 30 years has still been spectacular. Here are some examples of the total number of items on American farms:

	1930	*1958*
Tractors	920,000	4,685,000
Motortrucks	900,000	2,985,000
Grain Combines	61,000	1,040,000
Corn Pickers	50,000	745,000
Pickup Balers	—	610,000
Field Forage Harvesters	—	264,000

The tractor figures don't include any garden tractors, although some garden tractors could also be included—the ones used in commercial horticulture. And, of course, the average tractor in 1958 was much larger than the tractor of 1930.

American farmers now use many other resources produced with the help of non-farm people. (See Table 9, p. 70.) As an outstanding example, in 1958, farmers used almost five times as much fertilizer as in 1930. Most of this fertilizer was produced off the farm.

So, when someone says that one farmer now feeds over two and one half times as many other people as he did in 1930, you would do well to ask, "What about all the extra people in other industries that are now needed to produce this food?" Where does this set of figures lead us anyway? To put it bluntly, even if there's no reason to question the figures, so what? The basic "so what" behind these figures is the claim that farmers are working harder and deserve more in return. Looking at the extra figures we've given

raises some doubts on how much harder farmers are working.

In any case, the same old counter-argument keeps cropping up. It runs like this. What if everyone else worked at something just because he wanted to? Would he be paid regularly (with Government checks if necessary) just because he did what he wanted to without finding a buyer for what he produced? Is it really smart to produce so much food that we have a surplus? We can just about guess the next reply of farm groups. Can we really say there's a food surplus when millions of people the world over suffer from starvation? That's the first counter-question and we've examined it in Chapter 4.

Another counter-claim farmers could make is that workers and managers in other industries are artificially raising their prices anyway. The steel industry isn't producing anything like the amount of steel it could produce. And any number of unions restrict entry, set low performance standards for men already in the union, go on strike, and, in fact, do all they can to better their economic position at the expense of the public. Let's look at these objections. Take the steel industry. Suppose that the steel industry managers said to the farmers, "If you don't like the way we operate, we'll change over to your methods." Just picture a sudden doubling of steel production. In addition to a food surplus, we could then have a steel surplus. Maybe we could use extra steel to build more storage facilities for a bigger grain surplus. Maybe we could turn more steel into armaments and sell them to needy nations. Just what *would* we do with so much steel? Before we knew where we were, the plastics industry, the lumbermen and maybe even the people who make paper cups would be asking Congressmen to stop the invasion of steel into their markets.

Now it's good to know that the car manufacturers and the bridge builders and thousands of others who use steel

aren't likely to stop work because they run out of steel. It's prudent to hold a little production in reserve.

Obviously, it doesn't make sense to try to justify a food surplus by saying we could be producing more steel. As for any underlying fear of monopoly in the steel industry (or other industries) we need to rely on the Government to set the "rules of the game" and to see that the players keep to them.

What about unions bidding up wages by closed shops and other methods? One reaction of a union man might be to point out that, after all, the farmer (or particularly his sons) could pick some other occupation if he wanted to. "It's a free country. A man doesn't *have* to be a farmer." Maybe the one individual doesn't have to be a farmer. But there are always likely to be *some* farmers. And they'd still face the same big problems in trying to match the industrial workers' wages. There is more that farmers could do to organize themselves into marketing cooperatives and control their production to match demand. In fact, if farmers could organize themselves well enough, there wouldn't be a food surplus.

Let's take another look at the old argument about unions giving industrial workers an unfair advantage over the farmer. Let's approach the problem the same way as we looked at the steel industry. Suppose there weren't any unions. Let's assume that all unions were declared illegal. Would this help the farmer, or the country for that matter? Not necessarily and, in fact, not likely.

Men who point to labor unions as a source of farmers' woes would say that the unions' pressure for higher wages is forcing up farmers' costs and putting them in a tighter cost-price squeeze. So we'd expect the wages of industrial workers to fall if unions were eliminated. Suppose they did. (Some economists are skeptical about how much unions have increased wages.) We know that, up to a certain level,

men on higher wages eat more meat and dairy products and less starchy foods like bread and potatoes. Since more agricultural resources go into the production of one pound of meat than one pound of bread, cutting the wages of industrial workers could then lead to an even bigger food surplus. We might be producing more food still because fewer workers would try to leave agriculture. The lower non-farm wages would be less attractive. (On the other hand, lower non-farm wages might enable American non-farm industries to expand their export markets because, at lower prices, they could sell more overseas. Maybe this expansion of American non-farm industries would speed up economic growth. We mention this possibility only to suggest that there are many sides to any wage question.)

Would farm costs actually fall more than enough to make up for the reduced demand for food? When we already have a huge surplus, we can't make even a meaningful guess at how the change in demand might affect food prices. However, not all increases in food production costs have been due to higher wages paid to industrial workers.

Take farm real estate. On the average, charges on land and buildings used in food production (items like interest and depreciation) have gone up ten percent from 1930 to 1958. Perhaps you'll say that ten percent isn't much of an increase. But you need to consider that, even with today's dramatic changes in farm mechanization, far and away the greatest part of the farmer's capital (on a family farm) is land. (See Table 10.) Capital represented by land is likely to be ten times as much as the current value of machinery on a modern farm.

And what about the higher costs of farming due to high wages forcing up the cost of machinery? As we've already suggested, it's hard to tell when an individual farmer has too much machinery. Yet many recent studies suggest that some groups of farms appear to have too much machinery

TABLE 10. Value of Real Estate, Livestock, Machinery and other Assets on American Farms, 1940-61[1]

Year	All Farm Assets	Real Estate	Livestock	Motor Vehicles	Other Assets
		(Billions of dollars)			
1940	53.0	33.6	5.1	3.1	11.2
1941	55.1	34.4	5.3	3.3	12.1
1942	62.5	37.5	7.1	4.0	13.9
1943	73.3	41.6	9.6	4.9	17.2
1944	83.8	48.2	9.7	5.3	20.6
1945	93.1	53.9	9.0	6.3	23.9
1946	102.0	61.0	9.7	5.2	26.1
1947	113.9	68.5	11.9	5.1	28.4
1948	125.2	73.7	13.3	7.0	31.2
1949	132.1	76.6	14.4	9.4	31.7
1950	130.8	75.3	12.9	11.3	31.3
1951	149.6	86.8	17.1	13.0	32.7
1952	165.6	96.0	19.5	15.2	34.9
1953	162.9	96.6	14.8	15.6	35.9
1954	159.7	94.7	11.7	16.3	37.0
1955	164.7	98.8	11.2	16.2	38.5
1956	168.1	102.7	10.7	16.5	38.2
1957	176.3	109.5	11.1	17.1	38.6
1958	186.0	116.3	14.1	17.0	38.6
1959	202.3	125.1	18.1	17.7	41.4
1960	203.6	129.1	16.2	18.4	39.9
1961	199.3	125.0	n.a.[2]	n.a.[2]	n.a.[2]

[1] Source: *Economic Report of the President*, January 1961, Government Printing Office, Washington, D. C., p. 208.

[2] n.a. = not available.

in proportion to other resources and particularly in proportion to the amount of land farmed. So it almost sounds as though farm machinery has been too cheap.

We can't seriously say, then, that unions are responsible for most of the farmers' miseries. And even if there weren't

any unions, the President (and Congress) would probably find it necessary to keep increasing the average wages of industrial workers by some other means. The main disadvantage of unions to farmers is the likely effect of closed-shop policies in making it harder for farmers to get off-farm jobs. But this disadvantage is hard on other non-farm people too.

We need to recognize the prime need to stimulate economic growth in all segments of the economy. Keeping the national economy growing requires that more and more people produce things other than food. If farmers are producing more food than we need or can sell or give away, then we need fewer farmers and more people producing items in short supply. Unless we adopt Communist methods and "draft" people out of agriculture, we need to keep non-farm wages high enough to attract more and more people out of farming. Low non-farm wages would encourage more men to remain in farming (and maybe even attract others back to agriculture.)

Higher non-farm wages can only be sustained if non-farm workers continue to provide increasing quantities of goods people want (and can afford to buy). More goods and higher wages go together.

The main problem of agriculture is still the same: How do we trim food supply to a lagging food demand and make sure the remaining farmers can still make a decent living for an honest day's work? And how do we also ensure that we'll always have enough food?

Chapter 14

What Do Farm Programs Cost Us?

Should Congress spend more on agriculture?

Suppose we say "yes." What reasons could we give?

Farmers buy goods from other industries worth billions of dollars. (For example, they buy 18 billion gallons of petroleum a year—more than is used by any other industry.)

Farmers have been hit hard by a technological explosion.

Farmers are small businessmen. To preserve the family farm, we need to spend more on agricultural research.

Millions of people are suffering from starvation. We need to produce more food to help feed the world.

Farmers have just as much right to government help as anyone else.

Farmers produce a basic commodity—food. Without cheaper food we can't increase our level of living. Without food, we can't even live.

Farmers have become increasingly productive. We should encourage them.

Although we have a surplus problem now, we need to keep farmers highly productive so they can respond to any foreseeable food production emergency.

The food surplus problem is the result of former farm programs. The Government has an obligation to help agriculture.

Other reasons may occur to you. We shall stop listing and start looking.

Advancing some of the above reasons could strengthen agriculture's case. Other statements could do farmers much harm. Still others may affect the case for government support very little, whether they can be sustained or not. We have already looked at some of these statements and shall not repeat our remarks here. What do we need to add?

We agree that farmers buy many goods from other industries. If this is all that is needed to justify Federal payments to farmers, however, everyone else could plead the same case. To use this argument is to insult the intelligence of farmers.

The claim that farmers have been hard hit by a technological explosion cannot be dismissed so easily. Farmers have been exposed to a technological revolution. Coupled with the claim that the surplus problem is partly the result of former government programs, we have grounds enough to support Federal programs to cushion the adjustment of farmers to new conditions of production. Otherwise, the whole country may suffer greater dislocation.

Pointing to research needs to help preserve the family farm may find general acceptance. Yet the research programs of the U.S. Department of Agriculture are not the main reason for recent increases in the cost of Federal farm programs.

To say farmers produce a basic commodity needs further examination. Surely, we all need food. When there is a surplus, however, we can scarcely use this statement to support increased Federal allocations to farmers. Even without a food surplus, we may well be able to get any extra food we need from other countries more cheaply than we

could produce it here. We have been importing bananas for some time. Importing wheat is no more ridiculous, if we can use the money we thus save to produce other things that are in shorter supply.

We might agree that farmers have been becoming more productive and that we need to keep them that way. This agreement does not compel us to advocate greater Federal spending on agriculture. Some Federal programs could very well be undermining the productive potential of American farmers.

Suppose we argue against greater Federal spending on agriculture. What reasons can we give? We have already suggested that chaos could result from a sudden large reduction in Federal spending on agriculture. We endorse the need for programs that enable as much voluntary participation by farmers as possible. In so doing, we are endorsing democracy. But we would be quixotic to look at reasons for eliminating farm programs overnight.

Constructive arguments against greater Federal spending for agriculture need to point to alternative transitional programs. Our concern is to suggest that some would-be transitional programs could result in still greater Federal spending on agriculture after ten years. Other programs may result in the same or greater Federal spending for the next few years but will enable reductions after that. The concern with today, in the hope that tomorrow will take care of itself, is the very policy that can be held responsible for the food surplus problem. Unfortunately, the cost of continuing the present agricultural program will increase. Even more unfortunately, some alternative proposals may well increase this cost (in tax dollars) still more.

Let's look at the likely Federal expenditure required for various farm programs. A word of warning is needed on the apparently huge increase in Federal spending on agriculture in 1962. The Agricultural Appropriations Bill for

1962 involves about $6 billion. This figure is about half as much again as the recent average Federal expenditure of around $4 billion. However, most of the increase is due to a "doubling-up" of spending on foreign assistance programs. The reason is as follows.

When the first price support program was enacted in 1933, Congress created the Commodity Credit Corporation to carry it out. Congress provided the CCC with capital funds to enable it to make loans, buy and sell commodities, and transact other needed business. Further funds have been added from time to time.

Congress later assigned extra duties to the CCC without providing more money in advance. The C for Credit in CCC took on a new significance. The CCC had to meet the cost of the new programs each year and then await repayment when the next Appropriations Bill was passed. Recently, these other activities of the CCC have been so expensive that they have endangered the ability of the CCC to carry out its main function—the price support program. To illustrate, the CCC was expected to have only $815 million available for price support operations by June 30, 1961. Yet the recent annual cost of the price support program alone has been about one billion dollars.

The CCC is prohibited from borrowing funds for the price support program and yet must also guarantee price supports on some commodities. So something had to be done. As a way out, Congress chose to advance separate funds for the additional activities of the CCC. From 1962 funds Congress still had to pay back what CCC spent on these extra activities in 1961. Hence the doubling-up appears in the 1962 appropriations.

The extra activities that endangered the solvency of the CCC are, in general, foreign assistance programs based on the International Wheat Agreement Act of 1949 and the Agricultural Trade Development and Assistance Act of 1954

(Public Law 480). (Relatively minor items include the Special Milk Program which now costs about $90 million a year.) Public Law 480 authorizes the export of surplus food and fiber for foreign currencies and emergency relief. By this law, the CCC gives food away, sells it under two-price plans and gives emergency relief to other countries. These are the operations we suggested are more properly debited against all citizens, instead of just farmers. Now that Congress has decided to advance the CCC separate funds, Congress still had to pay back what CCC spent on cost of the price support program in the Agricultural Appropriations Bill.

Let's look at a summary of the 1962 Bill to get some perspective. (See Table 11.) Title I (regular activities) involves all the routine operations of the U.S. Department of Agriculture: collecting and providing information on prices,

TABLE 11. Agricultural Appropriations, 1962[1]
(Recommended by the Appropriations Committee)

Title I—Regular activities	$1,379,006,000
Title II—Foreign assistance programs including Public Law 480 (to put on pay-as-you-go basis)	$1,600,000,000
Title IV—Related agencies	$ 35,000
Sub-Total (a)	$2,979,041,000
Restoration of CCC funds expended for prior year operations:	
Title III:	
Price support program	$1,017,610,000
Foreign assistance and other programs financed by CCC at direction of Congress	$1,951,915,000
Sub-Total (b)	$2,969,525,000
Grand Total	$5,948,566,000

[1] Source: *Department of Agriculture and Related Agencies Appropriation Bill, 1962,* 87th Congress, 1st Session, Report No. 448, June 2, 1961.

research of all kinds, meat inspection, conservation programs, school lunches, Federal Crop Insurance Corporation operations, Rural Electrification Administration, plant and animal disease control, pest control and a host of other activities. Although a ruthless Administration might be able to cut some Title I costs, we can't reasonably expect major cost cutting here. More likely, there will be a gradual increase.

Title II (foreign assistance programs on a pay-as-you-go basis) is allocated $1,600,000,000. This is the extra item in the 1962 Appropriations. Further down, under Title III, foreign assistance programs have a second allocation of $1,951,915,000, the amount paid back to the CCC for the 1961 programs. Unless the food surplus increases, this entry will probably be absent from the 1963 Appropriations. The other main item is $1,017,610,000 for the price support program (Title III). This is the amount to be paid back to the CCC for the 1961 price support program.

Any big cut in agricultural appropriations would be due to trimming the foreign assistance programs (the Title II item of $1,600,000,000) and the price support program (the Title III item of $1,017,610,000).

Even if we permit the food surplus to increase, we may be able to cut foreign assistance program costs by encouraging changes in the *composition* of the food surplus. If we encouraged the production of more rice and less wheat, for example, we might sell more of the surplus and have less to give away. Alternatively, even if the cost of the foreign assistance programs increases, perhaps we could do more good by giving away more proteins—chickens instead of wheat. That way, undernourished people in other countries might be able to work harder and so improve their lot more quickly.

As we pointed out earlier, the best way to help some under-developed countries may be to give them hoes,

shovels, fishing nets, and tractors instead of food. If foreign assistance programs are charged against all citizens and not just farmers, we need to see whether the $1,600,000,000 would be better value for money if it included less food and more hoes.

Any expansion of foreign assistance programs with gifts other than food would tend to "bottle up" more food to be charged against the price support program. To cut this cost without increasing retail food prices would involve the trimming of food supplies by better marketing and resource shifts. Although the surplus has recently comprised wheat, feed grains and cotton, mere reductions in the prices of these products would not be enough to ensure surplus reduction. Such price changes could be expected merely to shift the surplus into other forms. There may be more chickens and less wheat and feed grain, for example. The chickens, in turn, might be more expensive to store than the wheat.

Orderly marketing would require quotas for more farm products and these quotas, in turn, might result in lower incomes for farmers. To avoid this hardship and still ensure reduced costs for the farm price support program, some retirement of farm resources would be needed. To ensure that the apparent cost reduction for price supports did not merely reappear as, say, welfare costs of cities, a coordinated program would be needed to provide jobs for displaced farmers and farm workers. Government purchase of farms would be a likely helpful measure, too. The cost of this program could reach $2 billion per year for the next ten years (or even more depending on the quality of land retired and other conditions). Agriculture's potential to produce need not be endangered by such land retirement and, in fact, might well be enhanced. Yet some hope would be held out for a solution to the food surplus problem in, say, ten years.

TABLE 12. Likely Average Annual Agricultural Appropriations Needed (a) for ten years beginning July 1, 1962, unless a major drought or war supervenes and (b) for five years beginning July 1, 1972[1]

Program	Average Annual Agricultural Appropriations	
	Ten years beginning July 1, 1962	Five years beginning July 1, 1972
(1) Present program	$5 to 8 billion	$6 to 9 billion
(2) Present program, modified by extended marketing controls	4 to 8	4 to 9
(3) Present program, modified by extended marketing controls, voluntary land retirement of 70 million acres cropland by rental, and labor retirement	6 to 8	7 to 9
(4) Present program, modified by extended marketing controls, *voluntary* land retirement of 70 million acres cropland (or equivalent) by purchase, tax concessions for transfer of funds out of agriculture, and labor retirement	6 to 8	3 to 4

[1] These figures are given for perspective. They are not meant to be predictions.

To sum up, we give some considered guesses, in Table 12, of likely alternative average annual program costs (a) for the ten years beginning July 1, 1962, unless a major drought or war supervenes, and (b) for five subsequent years.

To keep the present program (1), we suggest that the required appropriations will increase during the next ten years and then go on increasing.

Adding stringent marketing controls (2), if they could be adequately maintained, may hold required appropriations to their recent level, on the average, and even reduce required appropriations below $4 billion because of lower

surplus stocks at first. However, the development of new technology and failure to remove enough resources from agriculture could still result in gradually increasing program costs. And farmers would probably suffer both capital losses and income losses.

Adding less stringent marketing controls and providing for land retirement by rental (3) might cost $6 to $8 billion a year for the first ten years. And this cost would increase gradually since farmers would need increasingly higher rentals to compensate for the increasingly productive use they could make of land and associated resources. Farmers would probably suffer less hardship from capital losses and income losses than under (2).

Modifying Program (3) by public purchase of cropland (instead of renting it) and allowing tax concessions for the transfer of the proceeds out of agriculture (4) would probably have about the same average cost of about $6 to $8 billion for the next ten years. But gradually reduced costs could occur. The size of the surplus would gradually decrease and the money needed for price supports would decrease, or increase less rapidly, than under the present program. At the end of ten years, required land purchase would be negligible also and, in fact, some consolidation of small farms could be begun to convert them into efficient family farms. The required costs of the price support program could thus be further decreased. Farmers would suffer as little hardship as under Program (1).

In all instances, we assume retail food prices will be more or less the same.

These figures are not given as predictions but as suggestions of the likely relative order of costs from various programs. The overall conclusion we would like to make is this. Whatever program is adopted, it would be optimistic indeed to expect any large immediate reduction in Federal spending. Furthermore, the likelihood of reduced costs after

even ten years is almost nil for the present program and quite limited for alternative programs.

Of the total cost now listed under "Agricultural Appropriations," we would expect that one and one half to two billion dollars could be rightfully assigned to foreign aid and therefore not considered as part of the cost of agricultural programs. And, once more, agricultural appropriations, even discounted by the cost of foreign aid, do not necessarily give an accurate estimate of the cost to the taxpayer of supporting agriculture.

For those who wish to pursue the problems of reducing farm program costs, an Appendix gives a digest of the "Agricultural Act of 1961," the legislation proposed by Secretary Orville L. Freeman and greatly modified since by Congress.

* * *

The programs we looked at are those, we think, that (with modifications) might be considered by Congress. We think that they might be constitutional, though only a court test could confirm that view. According to the Constitution, attempts by the Federal Government to solve the food surplus problem must be within such specific powers as to regulate interstate commerce or to provide for the general welfare. These powers may appear quite broad, but earlier efforts to control production and marketing of farm products were declared unconstitutional.

We said the main surplus crops are wheat, feed grain and cotton. Why have we then ignored the so-called commodity approach to solving the surplus problem? We recognize the need for looking carefully at individual commodities. Some such work is essential to detailed program development. On the other hand, the commodity approach has new problems of its own. If quotas are placed on wheat, many growers are likely to plant more grain sorghums, for

example. The amount of grain sorghums that can be sold to livestock producers depends on the amounts of wheat, corn and other feeds available, and other factors. Unless some means can be found to reduce the intensity of land use, individual commodity programs are likely to founder.

Land retirement schemes are an extreme way of using land less intensively. If enough land and other resources are taken out of farming, there is less danger that a solution to the wheat surplus problem may reappear as a corn problem or a chicken problem. Besides, any program that singled out some states for special sacrifices would be unthinkable.

We have tried to avoid imposing our views on you. We have stated what we see as the relevant details of the riddle of American agriculture and hope you feel encouraged to explore the possibilities of improving farm legislation. If you want more details, the libraries are full of them; to help you, we have added some suggested readings.

Digest of "Agricultural Act of 1961"

(*Legislation Proposed by Secretary of Agriculture Orville L. Freeman*)

I. Farmer Advisory Committees (Title I, Subtitle A of bill)
   1. Each committee represents single commodity or group of commodities.
   2. Committee members appointed by Secretary from nominees selected by county ASC committees and from nominees of farm organizations.
      (a) Nominees selected by geographical areas to assure fair representation.
      (b) Only bona fide farmers eligible (60 percent of gross income from farming).
   3. Number of committee members and length of term discretionary with Secretary.
   4. Secretary would consult and advise with committee with respect to policies and programs.

II. Marketing Orders (Title I, Subtitle B of bill)
   1. Extends Act to all agricultural commodities but limits coverage of "products" of such commodities to those products covered by present law.
   2. Provides for two types of marketing orders:
      (a) Regional or national order permitted under present promulgation hearing procedure.
         (i) Any such national order, or any such regional or national order establishing producer quotas or allotments, permitted only

(a) (i) (A) after consultation with advisory committee and approval by the President, and
(B) after congressional review as provided in subtitle E of this title.
(b) National orders permitted without promulgation hearing procedure
(i) after consultation with advisory committee and approval by the President, and
(ii) after congressional review as provided in subtitle E of this title.
(c) Producer approval required of all marketing orders.
(d) Orders may regulate volume, size, quality, etc., for any commodity, other than milk, and may so regulate milk under order of type specified in (b) above.
(e) Orders fixing minimum prices to producers limited to milk but may be included in any type of order for milk.

3. Permits producer allotments or quotas for any commodity.
4. Authorizes expanded programs of marketing research and development for all commodities.

III. Marketing Quotas (Title I, Subtitle C of bill)

1. Includes new provision under which marketing quotas may be established for any agricultural commodity
(a) after consultation with advisory committee and approval by the President,
(b) after congressional review as provided in subtitle E of this title, and
(c) after approval by producers in referendum.
2. National quota would provide for normal supply, subject to adjustments to prevent undue restrictions on marketing and gradual reduction of excess stocks.
3. Permits breakdown of national quota to States, counties, and farms on the basis of acreage or other production units, or on basis of commodity units (bushels, pounds, or bales).
4. Authorizes exemptions by
(a) permitting quotas to be limited to commercial areas, and

(b) permitting small producer to market without restriction.

5. Marketing quotas would be established for basic commodities under existing law unless
   (a) producers elected to come under new quota provision, or
   (b) disapproved quotas in a referendum.

IV. Price Stabilization (Title I, Subtitle D of bill)

1. Provides variety of methods for supporting commodities, but payments to producers as method of price support would be limited to commodities covered by a marketing order or a marketing quota.
   (a) Payments of all kinds to producers subject to specified limitations.
2. Any price operation under this new authority could be carried out only
   (a) after consultation with advisory committee and approval by the President, and
   (b) after congressional review as provided in subtitle E of this title.
3. Level of price support could not exceed 90 percent of parity price of commodity.
4. Price support for any commodity for which a marketing order or a marketing quota was voted down by producers would be limited to 50 percent of parity.
5. Wool Act extended for three years to March 31, 1965.

V. Congressional Review (Title I, Subtitle E of bill)

1. Any of the following would be submitted to the Congress and become effective (subject to condition stated in 2. below) if not disapproved by resolution of either House within 60 days:
   (a) any national marketing order, or any other order providing for producer quotas or allotments, under the Agricultural Adjustment Act, as re-enacted and amended by the Agricultural Marketing Agreement Act of 1937,
   (b) a marketing quota program under the new part VII, subtitle B of title III of the Agricultural Adjustment Act of 1938, or

(1.) (c) a price or income stabilization operation formulated under title VI of the Agricultural Act of 1949, as amended.

2. Any order or quota under (a) or (b) subject to producer approval before being made effective.

VI. Agricultural Trade Development (Title II of bill)

1. Amends title I of Public Law 480 (83rd Congress to
   (a) extend title for five years through December 31, 1966,
   (b) provide authorization of $7.5 billion with limit of $2.5 billion for any one calendar year,
   (c) authorize establishment of national food reserve in underdeveloped countries,
   (d) place in the President authority heretofore exercised by the Secretary of Agriculture to determine nations with whom agreements shall be negotiated, and
2. Amends title II of such law to
   (a) extend title for five years through December 31, 1966,
   (b) extend authority for economic development for five years through December 31, 1966,
   (c) continue present authorization of $300 million, plus carryover,
   (d) permit acquisition of commodities from private stocks (as well as from Commodity Credit Corporation stocks), and
   (e) make annual limitation applicable to amount programed rather than amount spent.
3. Amends title IV of such law to
   (a) place responsibility for foreign agreements in President rather than in Secretary of Agriculture,
   (b) expand purposes for which sales may be made, and
   (c) make certain provisions of title I relating to foreign currency sales (safeguarding usual marketings, use of private trade channels, etc.) applicable to sales under title IV of Public Law 480.

VII. Agricultural Credit (Title III of bill)

Consolidates, improves and re-enacts existing authorities

of Farmers Home Administration for real estate, operating, and emergency loans as follows:

1. Real estate loans
   (a) May be made to owner-operators of not larger than family farms for acquisition, improvement and refinancing.
   (b) Available to all farm owners for soil and water conservation measures.
   (c) May be made to certain nonprofit associations for soil and water conservation, drainage, and flood control, with loan limit of $2,500,000 (increase from $250,000).
   (d) Removes limit on loans to individuals for land acquisition.
   (e) Increases insured loans from 90 percent to 100 percent of normal value of the farm.
   (f) Authorizes loans on long-term leasehold interest.
   (g) Provides interest rate of not to exceed five percent.
2. Operating loans
   (a) Increases loan limit from $20,000 to $50,000 and term of loan from 10 to 15 years.
   (b) Authorizes loans to nonprofit associations for purchase of farm equipment to be rented or sold to farmers.
   (c) Authorizes participation loans with private lenders.
   (d) Provides interest rate of not to exceed five percent.
3. Emergency loans
   (a) Authorized in areas suffering from natural or economic disaster conditions.
   (b) Provides interest rate of not to exceed three percent.

VIII. General

1. Reaffirms congressional policy of aiding and encouraging farmer cooperatives and specifically permits such cooperatives to acquire, or merge or consolidate with, other cooperatives and other corporations under certain circumstances.
2. Authorizes contracts under the Great Plains Conserva-

tion Program to be entered into for the period ending December 31, 1971.

3. Authorizes Commodity Credit Corporation, during the fiscal year beginning July 1, 1961, to expend $105,000,000 in carrying out the special milk program for children. Provides authorization for appropriations for this special milk program for the fiscal year beginning July 1, 1962, and each fiscal year thereafter.

Some Suggested Readings—Easy and Not So Easy

We begin our list with five easy readings, in the hope that they will be *read.* They consider many aspects of national agricultural policy in a fairly readable fashion.

The Farm Problem—What Are the Choices? A series of 13 leaflets written in 1960 by agricultural economists at the direction of the National Committee on Agricultural Policy. This committee represents the cooperative extension services of the state land-grant colleges and universities and the U. S. Department of Agriculture. The series is sponsored by the Farm Foundation and the Center for Agricultural and Economic Adjustment, Ames, Iowa. It is available through the bulletin offices of land-grant colleges and your county agent for a nominal 25 cents.

Farm Production, Trends, Prospects, and Programs. Agricultural Information Bulletin No. 239, U. S. Department of Agriculture, May 1961, 102 pp. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Price 50 cents.

Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability. Papers submitted to Congress by panelists appearing before the Subcommittee on Agricultural Policy. 1957, 864 pp. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Price $2.25.

Some needed historical perspective including a wealth of reference to specific programs is given by:

Benedict, Murray R., *Farm Policies of the United States, 1790-1950: A Study of Their Origins and Development,* The Twentieth Century Fund, New York, 1953, 548 pp. Available through bookstores and relatively inexpensive.

Some international perspective is provided by a short, readable account of the problems of British agriculture during World War II:

Whetham, E. H., *British Farming, 1939-49,* Nelson and Sons, New York, 1952, 172 pp.

If you have come this far, you have gained perspective, which we consider the main prerequisite for an understanding of a farm program. Before you read further, you may feel the need of some more background in economics. This is not to say that the *only* background you are likely to need in appraising a farm program is an understanding of economics.

By now, too, you may prefer to consult economists and others at your own state college or university—or men at other colleges for that matter. You may already have done so. The following references are not meant to substitute for these contacts. Most of the suggested books are written by economists. The first two texts are suggested for those who desire some general introduction to economics:

Samuelson, P. A., *Economics,* McGraw-Hill, New York, 5th Edition, 1961, 853 pp.

Stonier, Alfred W., and Hague, Douglas C., *A Textbook of Economic Theory,* Longmans Green and Co., New York, 1953, 513 pp.

After reading either of these texts, it would be helpful to return to the original list of "easy" readings (or to our book) and see how much more complicated life has become. If you want to pursue further the problems of agriculture that interest you, the books available are numerous. The following six books were selected because they may be of general interest:

Higgins, Benjamin, *Economic Development—Principles, Problems and Policies,* W. W. Norton, New York, 1959, 803 pp.

Problems and Policies of American Agriculture, Proceedings of a Conference at Iowa State University Center for Agricultural Adjustment, Iowa State University Press, Ames, Iowa, 1959, 460 pp.

Agricultural Adjustment Problems in a Growing Economy, edited by Earl O. Heady, Howard G. Diesslin, Harald R. Jensen, and Glenn L. Johnson, Iowa State College Press, Ames, Iowa, 1958, 315 pp.

Johnson, D. Gale, *Forward Prices for Agriculture,* University of Chicago Press, Chicago, Ill., 1947, 259 pp.

Schultz, T. W., *Economic Organization of Agriculture,* McGraw-Hill, New York, 1953, 374 pp.

Halcrow, Harold G., *Agricultural Policy of the United States,* Prentice-Hall, Englewood Cliffs, N. J., 1953, 458 pp.

You will find items of interest in professional journals, too. For example, the *Journal of Farm Economics,* published five times a year and available to nonmembers for $9 annually. (Present address for subscriptions is Dr. C. Del Mar Kearl, Sec.-Treasurer, AFEA, Department of Agricultural Economics, Cornell University, Ithaca, New York.)

Some specific *extra* references to the text material of this book, by chapters, are as follows:

Chapter 1

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Chapter 2

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Abel, Martin E., and Cochrane, Willard W., *Policies for Expanding the Demand for Farm Food Products in the United States, Part II. Programs and Results,* Univ. of Minnesota, Agric. Expt. Sta., Tech. Bul. 238, April 1961, 101 pp.

Chapter 3

Commission on Increased Industrial Use of Agricultural Products, *Interim Report to the Congress,* April 17, 1957, U. S. Government Printing Office, Washington 25, D. C., 190 pp. (processed).

Smutz, Morton, Industrial Uses for Farm Surpluses, *Farm Policy Forum,* Vol. 11, No. 3, Iowa State Univ. Press, Ames, Iowa, 1958-59, pp. 22-24.

It is virtually impossible to keep a reading list on a current topic up to date. Readers are referred to county agents and the bulletin offices of the agricultural experiment stations in each state for current references.

Irrespective of how many of the above references a reader may consult, it is strongly recommended that he obtains the *List of Available Publications of the U. S. D. A.*, by writing to Office of Information, U. S. Department of Agriculture, Washington 25, D. C., requesting List 11.

The *Congressional Record*, copies of Bills on agriculture submitted to Congress and Laws passed by Congress, the *Congressional Directory*, material published by the leading farm organizations, articles in farm magazines, and other current material would also be helpful.

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